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City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, August 04, 2005

1:00 PM

City Hall, Room 263

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation
- 2) Budget Analyst report
- 3) Legislative Analyst report
- 4) Department or Agency cover letter and/or report
- 5) Public correspondence

These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

DOCUMENTS DEPT.

AUG 01 2005

REGULAR AGENDA

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1. 051239 [Lease of Real Property at One South Van Ness Avenue]
Resolution authorizing the exercise of an option to lease 66,351 square feet of space on the fifth floor at One South Van Ness Avenue for the Mayor's Office of Housing and the Mayor's Office of Community Development and authorizing a 39,644 square foot sublease of such area to the San Francisco Redevelopment Agency. (Real Estate Department)
- 7/11/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
7/28/05, CONTINUED. Heard in Committee. Speakers: Steve Legnitto, Director, Real Estate Division, Department of Administrative Services; Harvey Rose, Budget Analyst.
Continued to August 4, 2005.

2. 051256 **[Sale of Surplus Property located at Manzano Way at Oak Creek Way in the City of Sunnyvale, Santa Clara County]**
Resolution approving the public auction sale of unimproved surplus real property located on Manzano Way at Oak Creek Way in the City of Sunnyvale, Santa Clara County for a purchase price of \$690,000; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution. (Real Estate Department)

7/8/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
3. 051122 **[IHSS Contract Modification Approval – San Francisco IHSS Public Authority]**
Resolution approving the modification of the contract between the City and County of San Francisco and San Francisco In-Home Supportive Services (IHSS) Public Authority, which expires on June 30, 2006, for the provision of health and dental benefits to IHSS Independent Providers, in the amount of \$11,872,058, for a total contract amount of \$68,190,161. (Human Services Department)

(Fiscal impact.)

6/9/05, RECEIVED AND ASSIGNED to City Operations and Neighborhood Services Committee.
7/13/05, TRANSFERRED to Budget and Finance Committee.
4. 051123 **[IHSS Contract Approval – IHSS Consortium of San Francisco]**
Resolution approving the contract between the City and County of San Francisco and the IHSS Consortium of San Francisco for the provision of In-Home Supportive Services for the period from July 1, 2005 to June 30, 2008, in the amount of \$51,433,291. (Human Services Department)

(Fiscal impact.)

6/9/05, RECEIVED AND ASSIGNED to City Operations and Neighborhood Services Committee.
7/13/05, TRANSFERRED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30 day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

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Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

**翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701**

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

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Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 28, 2005

TO: ≡ Budget and Finance Committee
FROM: ≡ Budget Analyst
SUBJECT: August 4, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-1239

Note: This item was continued by the Budget and Finance Committee at its meeting of July 28, 2005. The Budget and Finance Committee instructed the Director of Property to prepare a report detailing the City's full plan for the occupancy of the One South Van Ness building.

Departments: Mayor's Office of Housing (MOH)
Mayor's Office of Community Development (MOCD)
San Francisco Redevelopment Agency (SFRA)
Real Estate Division (RED)
Municipal Transportation Agency (MTA)
Police Department's Office of Citizen Complaints (OCC)
Mayor's Office of Finance and Legislative Affairs

Item: Resolution authorizing the exercise of an option, known as the Second Option Space, to lease 66,351 square feet of space on the fifth floor at One South Van Ness Avenue for the Mayor's Office of Housing and the Mayor's Office of Community Development and authorizing a 39,644 square foot sublease of the 66,351 square feet between the Real Estate Division as the sublessor and the San Francisco Redevelopment Agency as the sublessee.

DOCUMENTS DEPT.

AUG 03 2005

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FY 2005-2006 Amount: \$1,690,375

Source of Funds:	\$1,049,788	General Fund
	<u>\$640,587</u>	<u>Non-General Fund</u>
	\$1,690,375	Total

Schedule of General Fund and Non-General Fund Sources
(All funding is included in the FY 2005-2006 Budget for the respective sources.)

General Fund Supported Departments

\$805,143	Office of Administrative Services for Office of Citizen Complaints (OCC) for One-time Costs
<u>(\$5,109)</u>	<u>OCC for Rent Savings</u>
\$800,034	Subtotal

Non-General Fund Monies, incl. Federal and State Grants

\$506,104	Mayor's Office of Community Development and Mayor's Office of Housing for Increased Rent and One-time Costs
<u>\$506,104</u>	<u>Subtotal</u>

Tax Increment Financing (65% General Fund Supported)

\$384,237	Redevelopment Agency for Rent Savings and One-Time Costs
<u>\$384,237*</u>	<u>Subtotal</u>

<u>\$1,690,375</u>	<u>Total</u>
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*Mr. Mario Menchini of the San Francisco Redevelopment Agency advises that Tax Increment Financing is 65% General Fund supported resulting in General Fund expenditures of \$249,754 with the balance of \$134,483 to be paid from non-General Fund revenue sources.

Therefore, total General Fund Sources for the proposed resolution are \$249,754 from the SFRA and \$800,034 from Administrative Services and the OCC for a total of \$1,049,788 in General Fund monies.

BOARD OF SUPERVISORS
BUDGET ANALYST

Location: One South Van Ness Avenue at Market Street

Purpose of Lease: The proposed resolution would authorize the City and County of San Francisco, acting by and through its Mayor's Office of Housing, Mayors' Office of Community Development, and Real Estate Division, to (a) exercise an option, known as the Second Option, to lease 66,351 square feet of space on the fifth floor of One South Van Ness from February 1, 2006, through November 30, 2017; and (b) authorize a 39,644 square foot sublease of the 66,351 square feet between the Real Estate Division as the sublessor and the SFRA as the sublessee. Attachment I is a memorandum from Mr. Steve Legnitto of the Real Estate Division (RED) providing background and other pertinent data regarding the proposed lease option.

Lessor: One South Associates, LLP

Lessee: City and County of San Francisco, acting by and through its Mayor's Office of Housing, Mayor's Office of Community Development, and Real Estate Division.

Number of Square Feet and Uses of Space: 66,351 square feet on the fifth floor of One South Van Ness known as the Second Option space,¹ including (a) 13,200 square feet for the Mayor's Office of Housing; (b) 9,400 square feet for the Mayor's Office of Community Development; (c) 39,644 for the Redevelopment Agency; and (d) 4,107 square feet for unidentified uses.²

¹ According to Mr. Charlie Dunn of the Real Estate Division, the proposed lease agreement is the second option of an existing lease agreement entered into between One South Associates, LLP, and the Municipal Transportation Agency in January of 2005. The first option was approved by the Board of Supervisors on July 1, 2005 (File No. 05-0763).

² See Comment No. 2

**Rent Payable
By the City to Lessor,
One South**

Associates, LLP: \$132,702 or \$2 per square foot per month, which is \$1,592,424 or \$24 per square foot annually, for the proposed lease option for 66,351 square feet of new space on the fifth floor of One South Van Ness. The first year's rent in FY 2005-2006, effective February 1, 2006, would be \$663,510 for five months.

Term of Lease Option: The term of the proposed option to lease the Second Option space is for eleven years and ten months, from February 1, 2006, until November 30, 2017, with three, five-year renewal options as described below.

Options to Further

Expand and Purchase: The City and County of San Francisco is provided four additional options to expand the premises to the basement, ground, and second floors and additional storage area in the existing lease already entered into by the Municipal Transportation Agency (MTA) in January of 2005. Further, the City is provided with the option to purchase the One South Van Ness Avenue building, which has a total of 504,471 rentable square feet, for \$71,500,000, or approximately \$142 per square foot, at any time prior to January 15, 2008.

Right of Renewal: Three, five-year renewal options, beginning on December 1, 2017, for the 66,351 square feet of space on the fifth floor of One South Van Ness. Rent for each renewal period

would be 95% of Fair Market Value of comparable Prevailing Market Rate rentals at the time of renewal, as determined by consensus between the lessor and lessee. Should the lessor and lessee disagree on such rent, they will engage in a valuation process of determining the Fair Market Value as described in Section 4.2 of the lease agreement previously entered into by the MTA for the Initial Premises.³ Mr. Charlie Dunn of the RED advises that each (a) renewal option and (b) amount of new rent would be subject to Board of Supervisors appropriation approval.

**Maintenance
and Repairs:**

The lease is "fully serviced," meaning the lessor is responsible for all general maintenance and repairs, janitorial services, and utilities, and the lessee is responsible only for gross negligence and extraordinary wear and tear.

Description:

The proposed resolution would authorize the City to exercise the Second Option of an existing lease agreement for 66,351 square feet on the fifth floor of One South Van Ness by moving the Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) from 25 Van Ness, and the San Francisco Redevelopment Agency (SFRA) from 770 Golden Gate and 1125 Post Street to the fifth floor of One South Van Ness. The proposed resolution would further authorize the Police Department's Office of Citizen Complaints (OCC) to terminate the OCC's existing lease agreement at 480 2nd Street and to move to the space to be vacated by MOCD and MOH at 25 Van Ness.

The proposed resolution would authorize the City to exercise the Second Option of an existing lease agreement that was entered into on January 1, 2005, between One South Associates, LLP, and the City and County of San

³ Section 4.2 of the existing lease agreement for the Initial Premises describes this process as follows: "If within this Consultation Period, Landlord and City cannot reach agreement as to the Prevailing Market Rate, they shall each select one appraiser to determine the Prevailing Market Rate. Each such appraiser shall be an 'MAI' designated appraiser with at least five years experience appraising commercial office properties in San Francisco. Each appraiser shall arrive at a determination of the Prevailing Market Rate and submit his or her conclusions to Landlord and City within twenty days of the expiration of the Consultation Period described in subsection (i) above."

Francisco, acting by and through its Municipal Transportation Agency (MTA).⁴ The original lease agreement was for five years for 62,083 square feet on the third floor (the "Initial Premises") of One South Van Ness, with occupancy commencing June 1, 2005, and with an original expiration date of June 30, 2010. Mr. Steve Legnitto of the RED states on page 2 of Attachment I that "as part of the MTA lease, the Real Estate Division" negotiated options to "(i) add other floors and spaces at the same rates and tenant improvement allowances, and (ii) purchase the building at a fixed option price."

On July 1, 2005, the Board of Supervisors approved a resolution (File No. 05-0763) which (a) extended the expiration of the lease agreement for the Initial Premises for 62,083 square feet of space on the third floor of One South Van Ness Avenue from June 30, 2010, until November 30, 2017; and (b) authorized a new lease agreement for 66,317 square feet of space ("First Option Space") on the seventh floor of One South Van Ness from December 1, 2005, through November 30, 2017.

The proposed resolution would authorize the City to exercise the Second Option of the existing lease agreement, for a period greater than ten years, specifically from February 1, 2006, to November 30, 2017, or a period of 11 years and 10 months. Therefore this Second Option is subject to Board of Supervisors approval.

The following table shows the details of the existing space occupied by MOH, MOCDD, and SFRA that would be affected under the proposed lease agreement, including their current locations, whether those locations are leased from a third party or whether they are City-owned, the number of square feet to be relocated from each location,

⁴ Ms. Robin Reitzes of the City Attorney's Office advises that the MTA had the authority to negotiate the subject lease agreement for the Initial Premises without approval of the Board of Supervisors under City Charter Section 8A.102(b)1, which gives the MTA exclusive authority over contracting, leasing and purchasing. However, Ms. Reitzes further advises that City Charter Section 9.118(c) requires that "any lease of real property for a period of ten or more years" shall be subject to approval of the Board of Supervisors by resolution.

the approximate rent per square foot per month, and the total annual rent.

Department	Current Location	City-owned or Leased	Number of Sq. Ft.	Approx. Rent per Sq. Ft. per Month*	Total Annual Rent at Current Locations
Mayor's Office of Housing	25 Van Ness	City-Owned	7,452	\$1.58	\$140,928
Mayor's Office of Community Dev't	25 Van Ness	City-Owned	10,463	\$1.58	198,384
Redevelopment Agency	770 Golden Gate	Leased	24,945	\$4.38	1,310,616
	1255 Post St	Leased	3,175	\$3.65	138,996
Total Annual Rent					\$1,788,924
*Rounded to nearest cent.					

Comments:

1. Attachment II, provided by Mr. Dunn, compares the total annual rent and the proposed annual rent for the subject departments for the proposed new Second Option for space on the fifth floor of One South Van Ness. As shown in Attachment II, the MOH, MOCDD, and SFRA are estimated to expend \$1,592,424 annually on rent as a result of this proposed Second Option which is an annual rent savings of \$196,500 for these three departments (\$1,788,924 in total annual rent at current locations minus \$1,592,424 in total annual rent at proposed location).

As shown in Attachment III, provided by Mr. Dunn, since the proposed Second Option for space on the fifth floor of One South Van Ness would not be effective until February 1, 2006, the actual rent savings for FY 2005-2006 to be realized by the subject departments as a result of the proposed Second Option Space would be \$42,477, net of additional rent to be paid by SFRA.

2. As explained in a memorandum from Mr. Legnitto in Attachment IV, the proposed resolution would result in approximately 4,107 square feet of unassigned space on the fifth floor of One South Van Ness that "may be used to accommodate other needs in the building." Mr. Dunn advises that MOH and MOCDD will pay for the rent on this unassigned space until, and at such time, as the subject

space has been assigned and the rent charged to the new tenant. According to Mr. Legnitto, the justification for paying rent of \$8,214 per month on 4,107 square feet of space (\$2.00 per square foot per month) which will remain vacant for an indefinite period of time is that “the co-locating of two City [agencies] and one State agency (SFRA) on a single office building floor is a new city concept, and part of a larger Civic Center office space strategy designed to reduce overall City occupancy costs.” Mr. Legnitto further advises that, “by combining these three agencies on one floor,” RED believes that they “have reduced the total amount of office space that could be required in three separate locations.”

3. Under the proposed resolution, and as shown in Attachment V, provided by Mr. Dunn, the proposed Second Option on the fifth floor of One South Van Ness would result in the backfilling of City-owned space at 25 Van Ness by the Police Department’s Office of Citizen Complaints (OCC). Attachment V shows the projected change in the OCC’s rent, which results in a projected annual savings of \$19,964. In Attachment I, Mr. Legnitto explains the proposed backfill by the OCC.

As shown in the last column of Attachment III, since the proposed option to lease the Second Option Space on the fifth floor of One South Van Ness would not be effective until February 1, 2006, the actual rent savings to be realized by the OCC for backfilling space vacated by the MOCD and MOH at 25 Van Ness would be \$5,109 in FY 2005-2006.

4. As explained by Mr. Legnitto in Attachment I, the proposed resolution would result in 5,215 square feet of space vacated at 25 Van Ness by MOCD and MOH, for which a backfill tenant has not yet been confirmed. According to Mr. Legnitto, “discussions are ongoing for potential backfill tenants including smaller departments in leased space and expansion of existing tenants in City-owned space.”

According to Mr. Dunn, the rent at the City-owned 25 Van Ness is approximately \$19 per square foot per year, or approximately \$1.58 per square foot per month. Given

that, as a result of the proposed resolution, 5,215 square feet of City-owned space at 25 Van Ness would be vacated by MOCD and MOH with no backfill tenant yet identified, the Budget Analyst calculates that the City will expend approximately \$8,240 per month, or \$98,880 per year, on Certificates of Participation (COP's) for the vacant space at 25 Van Ness for which it would receive no reimbursement in the form of rent until and at such time as a tenant has been identified and moved into the vacant space.

5. According to Ms. Carmen Chu of the Mayor's Office of Finance and Legislative Affairs, as shown in Attachment VI, the Mayor's Office has estimated costs for MOCD, MOH, SFRA, and OCC for build-out costs, moving costs, and one-time additional rent to be \$1,737,961 in FY 2005-2006. Ms. Chu advises that the proposed resolution is part of a larger City department consolidation into One South Van Ness.

6. As noted by Mr. Legnitto on Page 3 of Attachment I, "the City has a fixed option to purchase the property [of One South Van Ness] at any time prior to January 15, 2008" at a price of \$71,500,000, or \$141.73 per rentable square foot for a total of 504,471 rentable square feet. Mr. Legnitto advises that RED "will most likely be seeking Board of Supervisors' concurrence with exercising the option to purchase One South Van Ness Avenue."

7. As shown in the table below compiled by the Budget Analyst, the proposed resolution would result in total increased costs of \$1,690,375 to the City in FY 2005-2006 (Column E).

The Budget Analyst further notes that the proposed resolution to exercise the Second Option for space at One South Van Ness would result in net rent savings annually of \$216,464 after FY 2005-2006 (Column G).

Memo to Budget and Finance Committee
August 4, 2005 Budget and Finance Committee

Dept.	FY 2004-2005 Rent	FY 2005-2006 Rent*	Rent Difference between 2004-2005 and 2005-2006 (a-b)	One-Time Costs**	Total 2005-2006 Costs (c+d)	Annual Rent***	Rent diff. between 2004-2005 and Annual Rent (a-f)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
MOCD	\$198,384	\$257,598	\$59,214	\$234,495	\$293,709	\$374,376	\$175,992
MOH	\$140,928	\$183,450	\$42,522	\$169,873	\$212,395	\$266,592	\$125,664
SFRA	\$1,449,612	\$1,305,399	(\$144,213)	\$528,450	\$384,237	\$951,456	(\$498,156)
OCC	\$261,264	\$256,155	(\$5,109)	\$805,143	\$800,034	\$241,300	(\$19,964)
TOTAL	\$2,050,188	\$2,002,602	(\$47,586)	\$1,737,961	\$1,690,375	\$1,833,714	(\$216,464)
*FY 2005-2006 Rent accounts for proposed option to lease start date of February 1, 2006, which is seven months into FY 2005-2006 (See Comment Nos. 1 and 3).							
**One-Time Costs include build-out costs, moving costs, and one-time additional rent (See Comment No. 5).							
***Annual Rent is rent paid in fiscal years after FY 2005-2006.							

8. The Budget Analyst notes that all of the costs that would result from this proposed resolution to exercise the Second Option for space on the fifth floor of One South Van Ness have been included in the City's FY 2005-2006 budget previously approved by the Board of Supervisors.

9. According to the provisions of the Second Option in the lease agreement for the Initial Premises, the proposed Second Option space on the fifth floor of One South Van Ness must be exercised by the City by no later than August 30, 2005.

Recommendation:

Based on the Board of Supervisors final passage of the FY 2005-2006 Annual Appropriation Ordinance on July 26, 2005, approve the proposed resolution.

City and County of San Francisco

Real Estate Division
Administrative Services Department

July 6, 2005

MOCD & MOH
Lease of Real Property
One South Van Ness
Avenue
(#5920)

Through Darryl Burton, Director
Department of Administrative Services

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is a Resolution authorizing the (i) exercise of an option to lease approximately 66,351 rentable square feet of space located on the 5th floor at One South Van Ness, for use by the Mayor's Office of Community Development (MOCD) and the Mayor's Office of Housing (MOH) and (ii) authorizing a sublet of a portion of such space to the San Francisco Redevelopment Agency (SFRDA). The proposed lease option is a furtherance of a City acquisition project being developed for One South Van Ness Avenue.

One South Van Ness Avenue is an eight-story office building which until last year was owned and mostly occupied by Bank of America (Photo attached as Exhibit A). The property is ideally located at the southeast corner of Van Ness Avenue and Market Street. The building consists of approximately 504,471 rentable square feet plus approximately 120 parking spaces. The property was built circa 1960 and extensively renovated (including seismic upgrades) for Bank of America in 1989.

Background

On or about January 1, 2005, the Municipal Transportation Agency (MTA) executed a lease for approximately 62,063 sq. ft. on the 3rd floor at One South Van Ness under authority given to the MTA by Charter Section 6A.102. On or about July 1, 2005 the Board of Supervisors authorized the exercise of an option to lease 66,317 sf on the 7th floor for a further consolidation of the MTA.

H:\WP Admin\Corres-SteveL MOCD MOH\lgis cover R5.DOC

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400

Page 1 of 4
San Francisco 94102

As part of the MTA Lease, the Real Estate Division negotiated very favorable options to (i) add other floors and spaces at the same rates and tenant improvement allowances, and (ii) purchase the building at a fixed option price. The proposed resolution authorizes an additional lease of another full floor at One South Van Ness Avenue and a sublease of a portion of that floor to the SFRDA.

Proposed Option Lease Terms

The proposed option space consists of approximately 66,351 sq. ft. on the 5th floor. The term of the proposed lease will be for approximately eleven (11) years and ten (10) months commencing on or about February 1, 2006 and expiring on November 30, 2017.

The proposed Base Rent will be \$132,702 per month, or approximately \$2.00 per rentable square foot per month (\$24.00 psf annually), flat for the 11 (+) year term of the lease. The lease includes typical "pass through" of pro rata increases in operating expenses; however, the City was able to negotiate a favorable 2010 Base Year for such reimbursed increases in building expenses. This means that the City will not pay any operating cost increases until after December 2010. The City will also pay for the cost of typical tenant expenses including moving, data and telecommunication systems.

The proposed lease consolidates the offices of MOCD, MOH and SFRDA into one floor and co-locates similar functions and public services. Currently, all 3 departments occupy noncontiguous spaces in several different buildings. MOH reports that MOH and SFRDA often cooperate (and co fund) on a number of large projects such as Mission Bay and Hunters Point Naval Shipyard and that being co-located with SFRDA will create numerous operational efficiencies and synergies. Since the floor size is fixed there is an area of the Premises (approximately 4107 sf) which has not, as of the date of this letter, yet been assigned and may be used to accommodate other user needs in the building.

MOCD and MOH will be moving out of 25 Van Ness (a City owned property). The vacated space at 25 Van Ness will be backfilled by the Office of Citizens' Complaints (OCC) from leased space at 480 Second Street. The OCC is currently in leased space of approximately 8,797 sf, with a lease expiring 6/30/06. OCC currently pays \$21,772.57 per month (approx. \$29.70 psf/yr.). OCC's lease will be terminated if this Resolution is approved. The backfill tenants for the remainder of the space (approx 5,215 sf) to be vacated by MOCD and MOH, as of the date of this letter, have not been confirmed. Discussions are ongoing for potential backfill tenants including smaller departments in leased space and expansion of existing tenants in City owned space.

The attached Exhibit B provides a "before and after" for the proposed lease.

San Francisco Redevelopment Agency

Under the proposed Resolution, the City will sublease approximately 39,644 sf to the SFRDA (approximately 60% of the Premises) on all of the same terms and conditions as contained in City's lease including at a prorata monthly rent of \$951.446 (\$24 psf annually).

The SFRDA currently leases space at 770 Golden Gate Avenue and at 1255 Post Street at an annual cost of \$1,310,616 (approx \$52.54 psf) and \$138,998 (approx \$43.78 psf), respectively. The ownership of 770 Golden Gate has informed SFRDA that they will not renew the lease. The SFRDA lease at 770 Golden Gate expires September 30, 2005. If the proposed option and sublease is approved, the SFRDA will terminate its leases at 770 Golden Gate and at 1255 Post Street and SFRDA will receive a savings of approximately \$498,167 annually.

Potential Property Purchase

Lastly, the City has a fixed option to purchase the property at any time prior to January 15, 2008. The Purchase Price is \$71,500,000 or approximately \$145 psf. On or about June 1, 2006, the Real Estate Division will most likely be seeking Board of Supervisors' concurrence with exercising the option to purchase One South Van Ness Avenue.

Summary

In summary, the proposed Resolution before you authorizes:

- The continued consolidation of City functions into one building location with large floor plates for better operational efficiencies
- The co-location of similar public functions for better public services
- The extension of a current market rental rate of \$24 psf fully serviced for the next 11(+) years for the MOH, MOCD and SFRDA.
- An enhancement of the City's future rights to purchase the property.
- Another important step in potentially moving City staff out of leased space.

The Real Estate Division recommends approval of the Resolution. If you have any questions, please contact Charlie Dunn of our office at 554-9861.

Sincerely,

A handwritten signature in dark ink, appearing to read "Steve Legnitto". The signature is fluid and cursive, with the first name "Steve" being more prominent and the last name "Legnitto" following in a similar style.

Steve Legnitto
Director

Attachment

cc: Matt Franklin, MOH
Dwayne Jones, MOCD
Ben Rosenfield, Mayor's Budget Director
Stuart Sunshine, MTA
Edwin Lee, Admin Services
Michael Cohen, Mayor

EXHIBIT B-1

MOH, MOCD, RDA CONSOLIDATION AT ONE SOUTH VAN NESS

Proposed Lease										
Depts	Former Location	Existing # of FTEs	Approx Sq. Ft.	2004/05 Annual Rent	New Location	Sq Ft	Proposed Annual Rent	Difference Betw 2004/05 Budget & One So VN	One time move costs	Comments
MOCD	25 VN	51	10,463	\$198,384	1 So VN (5th Flr)	13,200	\$374,376	\$175,992	\$234,495	To be backfilled by OCC
MOH	25 VN	44	7,452	\$140,928		9,400	\$266,592	\$125,664	\$169,873	To be backfilled by DOE & DPH Aids
TBD						4,107				*
City Subtotal		95	17,915	\$339,312		26,707	\$640,968	\$301,656	\$404,368	
RDA	770 Golden Gate	110	24,945	\$1,310,616		39,644	\$951,456	(\$359,160)	NA	Leases to be terminated
	1255 Post St.		3,175	\$138,996				(\$138,996)		
SFRDA Subtotal		110	28,120	\$1,449,612		39,644	\$951,456	(\$498,156)	NA	
TOTAL		205	46,035	\$1,788,924		66,351	\$1,592,424	(\$196,500)	\$404,368	

** Tenant yet to be determined - move costs are expected to be minimal. Possible candidates include MTA or Data Center staff.

Comparison of FY 2004-2005 and FY 2005-2006 Rents for MOH, MOCD, Redevelopment, and OCC

Dept.	Former Location	FY 2004-2005 Annual Rent	New Location	New Annual Rent	Annual Rent Difference	FY 2005-2006 Rent at Existing location	FY 2005-2006 Rent at New location	Projected FY 2005-2006 Total Rent	Difference Betw FY 2004-2005 & Proposed FY 2005-2006
Mayors' Office of Community Development	25 Van Ness	\$193,384	25 VN	\$374,376	\$175,992	\$99,192	\$158,406	\$257,598	\$59,214
Mayors' Office of Housing	25 Van Ness	\$140,928	25 VN	\$206,592	\$125,664	\$70,644	\$112,806	\$183,450	\$42,522
Redevelopment Agency	770 Golden Gate	\$1,310,616	25 VN	\$951,446	(\$359,170)	\$690,193	\$415,206	\$1,305,399	(\$5,217)
	1255 Post	\$138,996	25 VN	\$0	(\$138,996)		\$0	\$0	(\$138,996)
Subtotal of Proposed One South Van Ness Fifth Floor Tenants		\$1,788,924		\$1,592,414	(\$196,510)	\$1,060,029	\$686,418	\$1,746,447	(\$42,477)
Office of Citizen Complaints	480 2nd St	\$261,264	25 VN	\$241,300	(\$19,964)	\$195,957	\$60,198	\$256,155	(\$5,109)
Total for All Affected Depts, including OCC		\$2,050,188		\$1,833,714	(\$216,474)	\$1,255,986	\$746,616	\$2,002,602	(\$47,586)

City and County of San Francisco

Real Estate Division
Administrative Services Department


Steve Legnitto
Director

MEMORANDUM

Via E-Mail

DATE: July 19, 2005

TO: Harvey Rose
Budget Analyst

FROM: Steve Legnitto 
Director

SUBJECT: Lease of the 5th Floor at One South Van ness Avenue. BOS File 051239.

Mr. Rose:

The City desires to collocate the Mayor's Office of Housing, the Mayor's Office of Community Development, and the San Francisco Redevelopment Agency to provide better public access to services and create departmental operational efficiencies. The rental area of the 5th floor at One South Van Ness Avenue is a fixed area of 66,351 square feet. In response to your question regarding what seems to be 4,000 rentable square feet over what is required for city staff in an office space environment, we offer the following justification.

The collocating of two city and one state agency on a single office building floor is a new city concept, and part of a larger Civic Center office space strategy designed to reduce overall City occupancy costs. By combining these three agencies on one floor, we believe that we have reduced the total amount of office space that could be required in three separate locations.

Additionally, since we anticipate that the new tenants will remain for a term approaching twelve years, and twenty-seven years if all options are exercised, it is most reasonable and prudent to plan for a growth factor. In our opinion, realizing that there are three entities that could grow in the next twelve years, a growth factor of approximately 6 % of the overall floor area is considered appropriate.

EXHIBIT B-2
BACKFILL SUMMARY - MOCD, MOHI, RDA CONSOLIDATION AT ONE SOUTH VAN NESS

BACNITEL SUMMARY - MOBILE, MONTHLY COSTS BY LOCATION										
Dept.	Former Location	# of FTEs	Approx Sq. Ft.	2004/05 Annual Rent	New Location	Approx Sq Ft	New Annual Rent	Proposed Difference		Comments
								Betw 2004/05 Budget & Proposed	One time "move" costs	
OCC	480 2nd	35	8,799	\$261,264	650 25 VN	12,700	\$241,300	(\$19,964)	\$905,143	480 2nd St. lease to be terminated.
TBD				Ste. 750 & 600 25 VN		5,215	\$99,085	\$99,085	\$0 *	
Totals			8,799			17,915		\$79,121	\$805,143	

“Tenant yet to be determined - move costs are expected to be minimal. . . . Possible candidates include additional DOE space, DPH Aids, DPH Emerg Services, DHS from Fell St

One time costs for MOCD, MOH, Redevelopment, and OCC

Department	Former Location	New Location	Payable Double Rent in City Owned Bldgs	Payable Double Rent in Privately owned Bldgs	One Time Build/Move Dept Budget	One Time Base Build/Cont/ADA Centralized Budget	One Time Project Manager
MOCD	25 Van Ness	1 S Van Ness	\$49,595	\$0	\$184,900	\$0	\$0
MOH	25 Van Ness	1 S Van Ness	\$35,323	\$0	\$134,550	\$0	\$0
Redevelopment	770 Golden Gate and 1255 Post	1 S Van Ness	\$0	\$0	\$528,450	\$0	\$0
OCC	480 2nd	25 Van Ness	\$0	\$65,318	\$739,825	\$0	\$0
Totals			\$84,918	\$65,318	\$1,587,725	\$0	\$0
Total One Time Cost:		\$1,737,961					

Item 2 - File 05-1256

Departments: Public Utilities Commission (PUC)
Real Estate Division (RED)

Item: Resolution approving the public auction sale of unimproved surplus real property located on Manzano Way at Oak Creek Way in the City of Sunnyvale, Santa Clara County for a purchase price of \$690,000; adopting findings pursuant to the California Environmental Quality Act (CEQA); adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution.

Location: Manzano Way at Oak Creek Way in the City of Sunnyvale, in Santa Clara County (Lots 1 and 2 of Assessor's Parcel 104-28-066)

Size of Parcel: 6,017 square feet in Lot 1 and 6,035 square feet in Lot 2, for a total of 12,052 square feet.

Amount: \$690,000

Description: The proposed resolution would approve the sale of the subject 12,052 square foot vacant PUC land for \$690,000.

Currently, the PUC maintains the Hetch Hetchy pipeline that bisects Lot 3 of the subject PUC property. As shown in the Attachment, provided by Mr. Larry Ritter of the Real Estate Division, the subject property to be sold only includes Lots 1 and 2 of a three Lot parcel. The PUC will retain Lot 3 of the subject parcel.

According to Mr. Gary Dowd of the PUC, the proposed property to be sold is outside of the required 80-foot wide right-of-way for the Hetch Hetchy pipeline. Therefore, the subject property was declared surplus to the needs of the PUC on September 14, 2004 (PUC Resolution No. 04-0152). In accordance with the proposed resolution, on September 16, 2004, the Director of Planning found that the subject sale is categorically exempt from environmental review pursuant to CEQA guidelines and is consistent with the City's General Plan and Eight Priority Policies of the City's Planning Code.

Comments:

1. According to Mr. Ritter, the Real Estate Division advertised the public auction for the sale of the subject property in the local Sunnyvale newspaper, the *Sunnyvale Sun*, and mailed notices to over 1,000 individuals and 200 local contractors and developers. The Director of Property held the public auction on June 28, 2005. The public bidding on the subject property commenced at \$540,000, the fair market value set by the RED, based on the appraised value of the vacant land.
2. Mr. Ritter advises that the appraisal was prepared by Carneghi-Blum and Partners, Inc, a firm that is on the City's approval appraisal panel, at a cost of \$2,500 paid by the PUC.

3. Based on oral bidding by two bidders, Mr. Ritter reports that the highest bid of \$690,000 was offered by Mr. Alex Tse, a private builder. According to Mr. Ritter, Mr. Tse has paid the required ten percent, or \$69,000 deposit for the subject parcel. Mr. Ritter advises that Mr. Tse plans to construct a single family residence on each of the two lots, for resale.

4. According to Mr. Ritter, currently a tentative parcel map has been filed by the PUC with the City of Sunnyvale to subdivide the total parcel into three lots, two of which are the subject parcels to be sold. Mr. Ritter advises that the purchaser of the subject parcel must satisfy the City of Sunnyvale's conditions to obtain approval of the final parcel map by February 28, 2006 in order to complete the subdivision of the parcel. Such conditions include payment of fees and taxes, obtaining required permits, providing disclosure statements, and installing the required utilities and landscaping. Escrow on the subject parcel is scheduled to close after the approval of the final parcel map on or before February 28, 2006. Mr. Ritter advises that if the proposed purchaser does not complete the City of Sunnyvale's required conditions by February 28, 2006, the PUC may retain the \$69,000 deposit, without completing the sale of Lots 1 and 2 of the subject parcel.

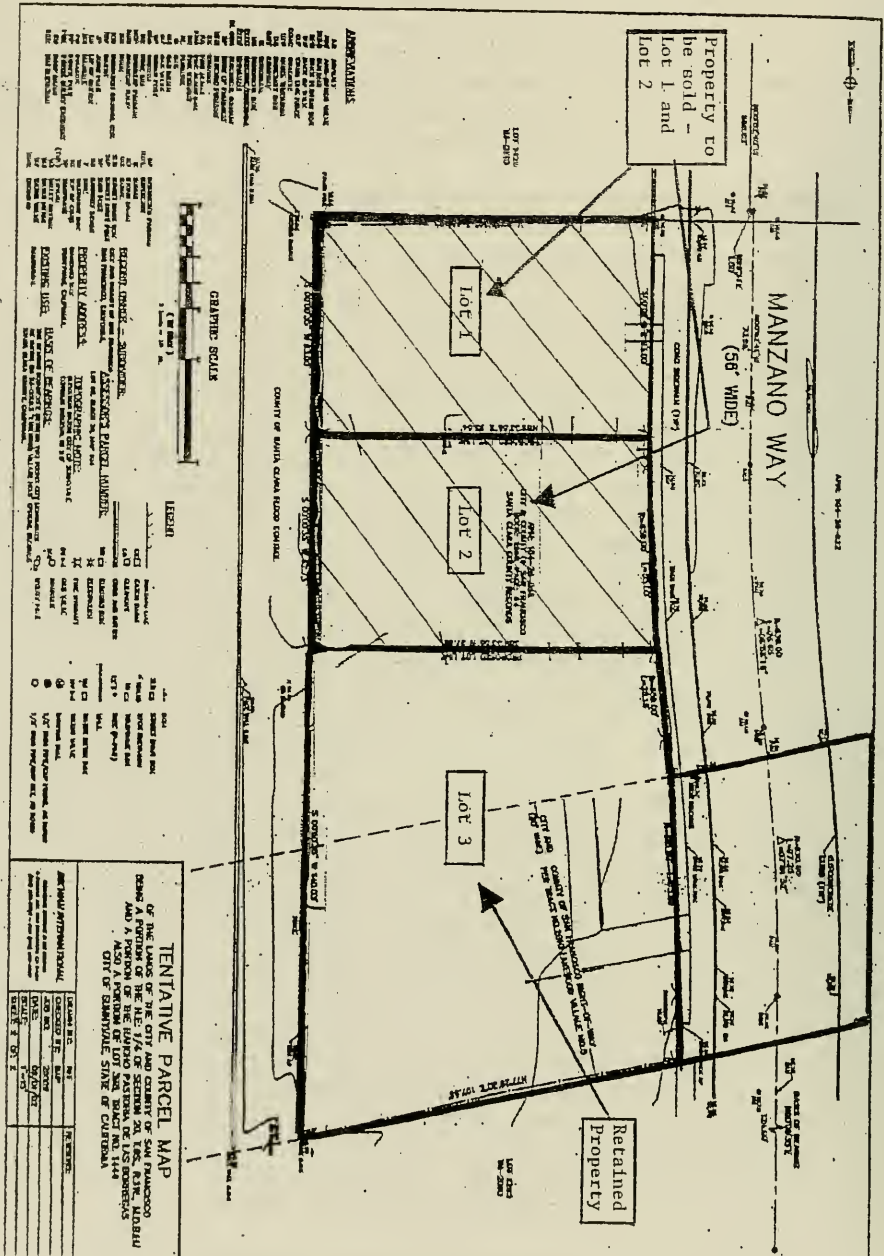
5. The Budget Analyst's 2005 PUC's Water Enterprise Fund audit recommended that "the PUC's General Manager establish a formal framework for coordinating the PUC's land use and real property management policies and protocols" in order to insure that the use or sale of surplus property is consistent with the requirements of the water utilities. While such management policies and protocols have not yet been developed, Mr. Dowd advises that the PUC's Water Supply and Treatment Division staff was contacted prior to the subject property being declared surplus by the PUC. According to Mr. Dowd, there is no current or future operational need for the portion of the property that is proposed for sale.

6. Mr. Carlos Jacobo of the PUC advises that the \$690,000 sales price would accrue to the PUC's Water Enterprise Fund for ongoing operations and purchase of potential other watershed lands, subject to appropriation approval of the Board of Supervisors.

Recommendation: Approve the proposed resolution.

EXHIBIT A-1
(Page 1 of 2)

Note: New Lots 1 and 2 are located on the southerly portion of APN 104-28-066.
The PUC will be retaining New Lot 3.



Item 3 - File 05-1122

Department: Human Services Agency (HSA)

Item: Resolution approving a modification of the contract between the Human Services Agency and San Francisco In-Home Supportive Services (IHSS) Public Authority, an independent public agency, for the provision of health and dental benefits to IHSS Independent Providers, for the period retroactive from July 1, 2003 to June 30, 2006, increasing the existing contract amount of \$56,318,103 by 21.1 percent or \$11,872,058 to \$68,190,161.

Modified Contract

Amount: \$68,190,161, an increase of \$11,872,058, or 21.1 percent.

Budget: Attachment I, provided by Mr. Joseph Huang of the Human Services Agency (HSA), is a revised three-year budget for the health and dental benefits for the total proposed \$68,190,161 contract awarded by HSA to the San Francisco In-Home Supportive Services Public Authority, an independent public agency, for the period retroactive from July 1, 2003 through June 30, 2006. Attachment I also contains the original three-year budget from July 1, 2003 through June 30, 2006 for the existing \$56,318,103 contract.

Source of Funds:

	General Fund (41.5 percent)	Federal and State Medicaid Funds (58.5 percent)	Total
Existing Contract	\$23,383,792	\$32,934,311	\$56,318,103
Proposed Modification	4,929,278	6,942,780	11,872,058
Total	\$28,313,070	\$39,877,091	\$68,190,161

Term of Contract

Modification: Three years retroactive from July 1, 2003 through June 30, 2006.

Description:

In-Home Supportive Services (IHSS) is an entitlement program that provides funding for low-income seniors and disabled persons to receive non-medical personal care and other household assistance in their homes from visiting workers. IHSS care can allow seniors and disabled persons to remain in their own residences and thereby avoid

unnecessary and expensive hospitalization or institutionalization. IHSS services are provided by either independent providers (IPs) or contracted providers. There are currently approximately 16,500 clients in San Francisco's IHSS program, of whom approximately 1,200 are using contract services provided by the IHSS Consortium of San Francisco (see File 05-1123 of the Budget Analyst's August 4, 2005 report to the Budget and Finance Committee). The remaining 15,300 clients are using IP services.

In May of 1995, the Board of Supervisors established the San Francisco In-Home Supportive Services (IHSS) Public Authority as an independent public agency, pursuant to California Welfare and Institutions Code Section 12301.6, in order to serve as the employer of record for the IPs and to administer health and dental benefits to the IPs.

The existing three-year contract for health and dental benefits with the IHSS Public Authority in the amount of \$56,318,103 was previously approved by the Board of Supervisors on July 15, 2003 (File 03-0903). The proposed contract modification with the IHSS Public Authority would authorize an \$11,872,058 or 21.1 percent increase to cover the increased costs of providing health and dental benefits to IPs, resulting in a new contract amount of \$68,190,161.

According to Ms. Donna Calame of the IHSS Public Authority, there is a growing need for IHSS in San Francisco, and as IHSS IPs serve more clients, an increased number of home care workers become eligible for and use the health and dental benefits. Health benefits are provided through the *HEALTHYWORKERS* San Francisco Health Plan and dental benefits are provided through Delta Dental. Increases in the number of workers covered by the health and dental care plans and increases in the cost of the health and dental care premiums over the three years of the contract are summarized in the following table:

Memo to Budget and Finance Committee
August 4, 2005 Budget and Finance Committee Meeting

		# of workers enrolled in health	Average monthly premium rate for health benefits	# of workers enrolled in dental	Average monthly claim costs for dental benefits ¹	Total annual cost of health and dental benefits ²
FY 2003- 2004	Original	5,814	\$198.80	Not Available ³ (N/A)	\$285,591	\$17,296,970
	Proposed modification	5,921	\$200.79	10,229	\$271,480	\$17,523,215
FY 2004- 2005	Original	6,297	\$198.80	N/A	\$309,301	\$18,732,962
	Proposed modification	6,843	\$240.13	11,465	\$376,219	\$24,233,932
FY 2005- 2006	Original	6,819	\$198.80	N/A	\$334,979	\$20,288,171
	Proposed modification	7,567	\$236.72 ⁴	12,700	\$411,601	\$26,433,014

As shown in Attachment I, the original total annual cost of health and dental benefits for FY 2003-2004 through FY 2005-2006 is \$56,318,103. The modified contract amount for health and dental benefits for FY 2003-2004 through 2005-2006 is \$68,190,161, resulting in the proposed subject requested increase of \$11,872,058.

According to Mr. Huang, the premium rate for the *HEALTHYWORKERS* health care plan is set by the Department of Public Health (DPH) and is negotiated between DPH, HSA, and the Public Authority. As shown in

¹ Mr. Huang states that there is no monthly premium rate for the dental plan. Total costs are based on the amount of each claim and the total number of claims.

² As shown in Attachment I, the total annual health costs are calculated by multiplying the number of enrolled workers by the monthly premium rate multiplied by 12. The total annual dental costs are calculated by multiplying the average monthly claim costs by 12. Because the monthly average number of workers enrolled in the health plan and the dental plan are rounded figures, there are differences due to such rounding.

³ According to Mr. Huang, the original budget number of workers enrolled in the dental plan is not available because no projections were made. Mr. Huang explains that for the revised budgets, the number of workers enrolled for FY 2003-2004 and FY 2004-2005 are actuals, and the number of workers enrolled for FY 2005-2006 is a projection.

⁴ According to Mr. Huang, in the month since the information shown in the table above was compiled, the FY 2005-2006 projected average monthly premium rate for health benefits has increased to \$241.21. Mr. Huang advises that the resulting increased cost can be absorbed within the proposed total contract amount of \$68,190,161.

Memo to Budget and Finance Committee
 August 4, 2005 Budget and Finance Committee Meeting

the table above, the average monthly health benefit premium rate increased from \$198.80 in FY 2003-2004 to \$236.72 in FY 2005-2006. Mr. Huang stated that the premium rates shown in the above table are monthly averages and fluctuate based on delays between cost reporting and enrollment reporting.

Mr. Huang further explains that the number of workers enrolled in the health and dental plans fluctuates based on caseload. Mr. Huang states that all workers who have worked a minimum of 25 hours per week for a minimum of 2 months or 8 weeks are qualified to receive health and dental benefits.

Comments:

1. As shown in Attachment I, as a result of the increase in usage of the health and dental plans, and the increase in the health care premium rate, the existing contract in the amount of \$56,318,103 for FY 2003-2004, FY 2004-2005, and FY 2005-2006 exceeds the projected costs of \$68,190,161 by \$11,872,058. The proposed contract modification would provide \$11,872,058 for the \$226,254 shortfall in FY 2003-2004, the \$5,500,970 shortfall in FY 2004-2005, and the projected \$6,144,843 shortfall in FY 2005-2006. As stated in Attachment II, provided by Mr. Huang, "the Department made a policy decision to 'borrow' against the contract authority of the third year to address the shortfalls of the first two fiscal years", in order to "allow the Department to address the cumulative shortfall with one modification, at the beginning of the third year, instead of after each month that the actual costs exceeded projected costs."

Because the proposed modified contract would provide for health and dental benefits costs retroactive to July 1, 2003, the proposed resolution should be amended to provide for retroactivity.

2. According to Mr. Huang, sufficient funds have been appropriated in the HSA's FY 2005-2006 budget to cover the increased costs of \$11,872,058 for this proposed contract modification.

Recommendations: 1. In accordance with Comment No. 1, amend the proposed resolution as follows:

BOARD OF SUPERVISORS
BUDGET ANALYST

(a) on page 1, line 3 in the title, insert "*retroactively*" before "*approving*" so that the phrase reads "*Resolution retroactively approving*" . . .

(b) on page 1, line 18, insert "*retroactively*" before "*approves*" so that the phrase reads "*hereby retroactively approves*" . . .

2. Approve the proposed resolution, as amended.

	FY 03-04	FY 04-05	FY 05-06	Total
Revenue				
General Fund	7,181,860	7,778,097	8,423,834	23,383,792
State/Fed	10,115,110	10,954,865	11,864,337	32,934,311
Total	17,296,970	18,732,962	20,288,171	56,318,103
Expense				
Health	13,860,878	15,021,353	16,268,424	45,150,655
	(Avg of 5,814 workers/month	(Avg of 6,297 workers/month	(Avg of 6,819 workers/month	
	X	X	X	
	\$198.80	\$198.80	\$198.80	
	X	X	X	
	12 months	12 months	12 months	
Dental	3,427,092	3,711,609	4,019,747	11,158,448
	(Avg monthly claim costs of \$285,591	(Avg monthly claim costs of \$309,301	(Avg monthly claim costs of \$334,979	
	X	X	X	
	12 months	12 months	12 months	
Total	17,296,970	18,732,962	20,288,171	56,318,103
Revenue				
General Fund	6,662,879	9,652,676	10,280,380	26,595,935
State/Fed	10,860,336	14,581,256	16,152,634	41,594,726
Total	17,523,215	24,233,932	26,433,014	68,190,161
Expense				
Health	14,265,458	19,719,300	21,493,800	55,478,558
	(Avg of 5,921 workers/month	(Avg of 6,843 workers/month	(Avg of 7,567 workers/month	
	X	X	X	
	\$200.79	\$240.13	\$236.72	
	X	X	X	
	12 months	12 months	12 months	
Dental	3,257,757	4,514,632	4,939,214	12,711,603
	(Avg monthly claim costs of \$271,480	(Avg monthly claim costs of \$376,219	(Avg monthly claim costs of \$411,601	
	X	X	X	
	12 months	12 months	12 months	
Total	17,523,215	24,233,932	26,433,014	68,190,161
DIF	226,245	5,500,970	6,144,843	11,872,058

Revised

Original

Gavin Newsom, Mayor

Trent Rhorer, Executive Director



To: Budget Analyst Office
From: Joseph Huang, Senior Contracts Manager
Date: July 26, 2005
Re: Timing of Board Request

The Department of Human Services received authorization from the Board of Supervisors to contract with the IHSS Public Authority to provide health and dental benefits to IHSS workers in July 2003 for the amount of \$56,318,103. This contract amount was based on projections for the three-year period, from July 1 2003 through June 30, 2006. As the actual costs for each month was received, the projections for the remainder of the three-year period changed. Because the contract is for a three-year period, the Department made a policy decision to "borrow" against the contract authority of the third year to address the shortfalls of the first two fiscal years. This policy decision would allow the Department to address the cumulative shortfall with one modification, at the beginning of the third year, instead of after each month that the actual costs exceeded projected costs. Implementing one modification would also minimize the number of times to present this contract to the Board.

While the Department is modifying the contract just once, it has kept the Board aware of the increased costs for these services through the Departmental budgeting process. The revised amounts for each fiscal year listed in this request (\$17,523,215 for FY 2003-2004, \$24,233,932 for FY 2004-2005, and \$26,433,014 for FY 2005-2006) have all been included in the Departmental budget and/or the supplemental appropriations approved by the Board of Supervisors for each year.

Item 4 – File 05-1123

Department: Human Services Agency (HSA)

Item: Resolution approving a new contract between the Human Services Agency (HSA) and the IHSS Consortium of San Francisco, a nonprofit agency, for the provision of In-Home Supportive Services for the three-year period retroactive from July 1, 2005 to June 30, 2008 in the amount of \$51,433,291, with an option to renew for one additional year.

Contract Amount: \$51,433,291

Budget: Attachment I, provided by Mr. Joseph Huang from the Human Services Agency (HSA), compares the prior FY 2004-2005 budget of \$16,085,136 and the three year budget for the total proposed \$51,433,291 contract, from July 1, 2005 through June 30, 2008 ranging from \$16,640,231 in FY 2005-2006 to \$17,653,622 in FY 2007-2008.

Source of Funds: General Fund monies included in DHS's FY 2005-2006 budget and projected for the FY 2006-2007 and FY 2007-2008 budgets \$10,800,991 (21.0%)

Federal and State Medicaid Funds included in DHS's FY 2005-2006 budget and projected for the FY 2006-2007 and FY 2007-2008 budgets 40,632,300 (79.0%)
Total **\$51,433,291**

Description: The proposed resolution would approve a new contract with In-Home Supportive Services Consortium of San Francisco (Consortium), a non-profit organization, in the amount of \$51,433,291 for the three year period from July 1, 2005 through June 30, 2008. Under the proposed contract, the City would have the option to renew the contract for one additional year, pending approval by the Board of Supervisors.

In-Home Supportive Services (IHSS) services are provided by either independent providers (IPs) or contracted providers. The proposed resolution is for contracted IHSS services to be provided by the In-Home Supportive Services Consortium of San Francisco. The monies for the costs of the IPs are separately appropriated by the Board of Supervisors in the HSA's annual budget.

IHSS is an entitlement program that provides funding for low-income seniors and disabled persons to receive non-medical personal care and other household assistance in their homes from visiting workers. IHSS care can allow seniors and disabled persons to remain in their own residences and thereby avoid unnecessary and expensive hospitalization or institutionalization.

IHSS provides two levels of service: intensive supervision and regular supervision. Intensive supervision services include case management in addition to household chores and personal care services, whereas the regular supervision services do not include case management. Case management involves an assessment, referral and follow-up with persons receiving in-home supportive services to link them to additional supportive services, which are not provided by IHSS.

As shown on the following table, the total annual IHSS hours to be provided by IPs and the contract provider, namely the IHSS Consortium of San Francisco (the subject of this proposed resolution), would be an estimated 52,229,200 for the three year period from July 1, 2005 through June 30, 2008 including 49,995,700 or 95.7 percent to be provided by IPs and the balance of 2,233,500 or 4.3 percent (744,500 hours for each of the three years) to be provided by the Consortium. The total annual IP hours are estimated to increase by 3,315,300 from 15,043,100 hours in FY 2005-2006 to 18,358,400 hours in FY 2007-2008 over the three years of the contract period to reflect an increase in the demand for IHSS services.

Projected hours by fiscal year:

Year	IP Hrs	IP Pct	Contract Hrs	Contract Pct	Total Hours
FY 2005-2006	15,043,100	95.3	744,500	4.7	15,787,600
FY 2006-2007	16,594,200	95.7	744,500	4.3	17,338,700
FY 2007-2008	18,358,400	96.1	744,500	3.9	19,102,900
Total	49,995,700	95.7	2,233,500	4.3	52,229,200

The IHSS Consortium provided in-home supportive services under a previous contract with the HSA over a four-year period from July 1, 2001 through June 30, 2005. The proposed new contract with the same IHSS Consortium, in the amount of \$51,433,291, includes both intensive and regular supervision in-home supportive services. The following table compares the IHSS Consortium's previous four-year contract for Fiscal Years 2001-2002 through 2004-2005 with the proposed three-year contract for Fiscal Years 2005-2006 through 2007-2008.

Memo to Budget and Finance Committee
August 4, 2005 Budget and Finance Committee Meeting

2001-2005 Contract					
	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	TOTAL
Hourly Wage Rate ¹	\$10.00	\$10.10	\$10.17	\$10.28	----
Hourly Contract Rate ²	\$20.56	\$20.89	\$21.48	\$21.45	----
Estimated # of Hours	566,250	825,000	780,000	750,000	2,921,250 ³
Total Amount ⁴	\$11,642,250	\$17,234,366	\$16,751,781	\$16,085,136	\$61,713,533

2005-2008 Contract				
	FY 2005-2006	FY 2006-2007	FY 2007-2008	TOTAL
Hourly Wage Rate	\$10.48	\$10.79	\$11.11	----
Hourly Contract Rate	\$22.35	\$23.02	\$23.71	----
Estimated # of Hours	744,500	744,500	744,500	2,233,500
Total Amount	\$16,640,231	\$17,139,438	\$17,653,622	\$51,433,291

As previously noted, the IHSS Consortium's hours would remain constant at 744,500 hours per year over the proposed subject three-year contract period from July 1, 2005 through June 30, 2008 or a three-year total of 2,233,500 hours. The 2,233,500 total IHSS Consortium hours to be provided under the proposed three-year contract is 121,500 hours or 5.2 percent less than the 2,355,000 hours provided over the three years from FY 2002-2003 through FY 2004-2005 under the previous contract.

According to Mr. Huang, the projected decrease of 121,500 hours under the proposed three-year contract as compared to the prior three years reflects the Department's effort to more accurately estimate the need for actual service hours. Mr. Huang explains that the Department intends to manage the referral process more strictly, so that only

¹ The hourly wage rate is the amount paid by the IHSS Consortium to the workers providing the intensive and regular supervision in-home supportive services.

² The hourly contract rate is the amount charged by the IHSS Consortium and reimbursed with City General Fund and State and Federal Medicaid funds. The hourly contract rate includes the hourly wage rate, plus the IHSS Consortium's administrative costs, as discussed in Comment No. 4.

³ The total 2,921,250 hours were provided over the four years of the prior contract, including 2,355,000 hours during the last three fiscal years. Similarly, of the total \$61,713,533 cost for the prior four-year contract, \$50,071,283 was spent for the last three fiscal years as compared to the proposed three-year contract of \$51,433,291.

⁴ The total annual contract amount is based on the estimated number of service hours multiplied by the hourly contract rate—differences are based on rounding error.

those clients who require the contract services be referred. Mr. Huang states that the Department anticipates that the majority of the growing demand for IHSS services can be met through the IP service, the less expensive of the two modes of service. IP hours are expected to increase by 12,371,058 hours or 32.9 percent from 37,624,642 in the three years from FY 2002-2003 through FY 2004-2005 to 49,995,700 in the three years from 2005-2006 through 2007-2008 to reflect the projected increased demand for IHSS services.

The FY 2005-2006 hourly contract rate of \$22.35 for the proposed IHSS Consortium contract is \$.90 per hour higher, or a 4.2 percent increase, over the FY 2004-2005 rate of \$21.45 under the previous contract. In addition to increases in the wages paid to contract workers, according to Mr. Huang, the increase in the hourly rate also reflects general increases in various other costs incurred by the contractor, which include benefits, training, travel, insurance and administrative expenses. During the proposed contract period, the hourly rate would increase by approximately \$0.67 or 3.0 percent in FY 2006-2007, from \$22.35 to \$23.02, and by an additional \$0.69 or approximately 3.0 percent in FY 2007-2008, from \$23.02 to \$23.71.

Under the proposed contract, IHSS Consortium contract workers would be paid an average hourly wage of \$10.48 in FY 2005-2006 with subsequent annual increases of approximately \$0.31 to \$0.32 or approximately 3 percent, bringing the FY 2006-2007 average hourly wage to \$10.79 and the FY 2007-2008 average hourly wage to \$11.11. Under the previous IHSS Consortium contract, in FY 2004-2005, contract workers were paid an average hourly wage of \$10.28. According to Ms. Jennifer Williams of the City Attorney's Office, these wages conform to the wage requirements of the Minimum Compensation Ordinance, previously approved by the Board of Supervisors in September of 2000, which requires that all contracts and contract amendments effective after September 2001 include hourly wages of at least \$10.00 for contract workers.

Comments:

1. Because the proposed new contract commenced on July 1, 2005, the subject resolution should be amended to provide for retroactivity. Mr. Huang reports that the Department submitted the proposed contract for consideration by the Board of Supervisors in early June of 2005.

2. According to Mr. Huang, the IHSS Consortium was selected for the subject contract in May of 2005 through a competitive Request for Proposal process initiated in January of 2005. Mr. Huang reports that two service providers submitted a proposal to HSA for this contract: the IHSS Consortium and Addus Healthcare. As shown in Attachment II provided by Mr. Huang, the IHSS Consortium scored 91.5 points or 36.5 points higher (on a 100 point scale) than the 55 points received by Addus and, as a result, HSA has recommended that IHSS Consortium be awarded this subject contract. Attachment II describes the selection process and criteria, provides the names and positions of the members of the evaluation panel, and contains the scoring summary for the two proposals.

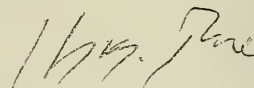
3. According to Mr. Huang, the Request for Proposal (RFP) was publicized on the DHS website and in the nine newspapers listed in Attachment III. Attachment III also provides a list of all nonprofit agencies that were advised of the RFP.

4. As shown on page 4 of Attachment I, administrative costs under the proposed three-year contract total \$9,806,530, which includes \$7,617,108 for wages and benefits and \$2,189,422 for operating expenses. The \$9,806,530 in administrative costs constitutes 19.1 percent of the total proposed three-year contract amount of \$51,433,291. Under the previous contract with IHSS Consortium, administrative costs for the past three fiscal years totaled \$8,209,378, or 16.4 percent of the \$50,071,283 total.⁵

⁵ The total contract amount for the past three fiscal years, \$50,071,283, is equal to \$17,234,366 (FY 2002-2003) plus \$16,751,781 (FY 2003-2004), plus \$16,085,136 (FY 2004-2005). Annual totals for each fiscal year of the contract are shown in the previous table above.

Attachment IV, provided by Mr. Huang, explains that the administrative costs of \$9,806,530 shown in Attachment I include non-provider related program costs as well as "true administration costs" because of State reporting requirements. Attachment IV also explains that the increase in these program costs can be attributed to "a reorganization of the service delivery model."

- Recommendation:**
1. In accordance with Comment No. 1, amend the proposed resolution as follows:
 - (a) on page 1, line 3 in the title, insert "*retroactively*" before "*approving*" so that the phrase reads "*Resolution retroactively approving*"
 - (b) on page 1, line 18, insert "*retroactively*" before "*approves*" so that the phrase reads "*hereby retroactively approves.*"
 2. Approve the proposed resolution, as amended.



Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Mirkarimi
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Daly
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

**DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY
BY PROGRAM**

Contractor's Name				Contract Term	
IN-HOME SUPPORTIVE SERVICES CONSORTIUM				7/1/05 - 6/30/08	
(Check One) New <input checked="" type="checkbox"/> Renewal <input type="checkbox"/> Modification <input type="checkbox"/>					
If modification, Effective Date of Mod No. of Mod					
Program: Contract Mode In-Home Supportive Services					
Budget Reference Page No (s)	CURRENT FY	PROPOSED 1st FY	PROPOSED 2nd FY	PROPOSED 3rd FY	PROPOSED TOTAL
Program Term	7/1/04 - 6/30/05	7/1/05 - 6/30/06	7/1/06 - 6/30/07	7/1/07 - 6/30/08	7/1/05 - 6/30/08
IHSS Provider Wages					
Full Time	\$8,267,204	\$8,267,804	\$8,515,838	\$8,771,313	\$25,554,955
Part Time					
IHSS Provider Employment Taxes					
Social Security (FICA)	\$817,116	\$837,654	\$862,784	\$888,668	\$2,589,106
Federal Unemploytmt Ins (FUTA)					
State Unemploytmt Ins (SUI)	\$119,314	\$122,313	\$125,982	\$129,762	\$378,056
State Disability Ins (SDI)					
IHSS Provider Worker's Compensation					
	\$0	\$0	\$0	\$0	\$0
IHSS Provider Employment Benefits					
Vacation	\$448,488	\$337,189	\$347,305	\$357,724	\$1,042,218
Sick Leave	\$216,516	\$247,123	\$254,537	\$262,173	\$763,834
Holiday	\$322,557	\$350,432	\$360,945	\$371,773	\$1,083,149
Health Insurance	\$1,565,222	\$1,643,745	\$1,693,057	\$1,743,849	\$5,080,651
Dental Insurance	\$279,366	\$293,381	\$302,182	\$311,248	\$906,811
Other	\$375,000	\$325,743	\$335,516	\$345,581	\$1,006,840
IHSS Provider Travel Costs					
Travel Wages	\$578,391	\$770,486	\$793,601	\$817,409	\$2,381,495
Mileage	\$189,000	\$0	\$0	\$0	\$0
IHSS Provider Orientation/Skill Dev					
Training Wages	\$16,000	\$77,198	\$79,514	\$81,899	\$238,610
Training Staff/Consultants	\$59,923	\$259,285	\$267,064	\$275,075	\$801,424
Other Training Costs					
Administrative Salaries					
Local Administration	\$563,865	\$618,782	\$637,346	\$656,466	\$1,912,595
Clerical	\$90,347	\$99,146	\$102,121	\$105,184	\$306,452
IHSS Supervisors	\$1,037,853	\$1,138,934	\$1,173,102	\$1,208,295	\$3,520,332
Salaries to Owners/Officers/Dirs					
Administrative Taxes					
Social Security (FICA)	\$151,291	\$148,118	\$152,562	\$157,138	\$457,818
Federal Unemploytmt Ins (FUTA)					
State Unemploytmt Ins (SUI)	\$9,455	\$9,256	\$9,534	\$9,820	\$28,611
State Disability Ins (SDI)					
Administrative Worker's Compensation					
	\$118,445	\$176,632	\$181,931	\$187,388	\$545,951
Administrative Benefits					
Vacation					
Sick Leave					
Holiday					
Health Insurance	\$129,215	\$156,501	\$161,196	\$166,031	\$483,728
Dental Insurance	\$21,218	\$25,699	\$26,470	\$27,264	\$79,432
Other	\$99,832	\$91,297	\$94,036	\$96,857	\$282,190
Administrative Travel					
Travel Wages					
Mileage	\$12,411	\$12,660	\$13,040	\$13,431	\$39,130
Insurance and Bonding					
Liability Insurance	\$71,231	\$78,490	\$80,844	\$83,270	\$242,603
Automobile Insurance					
Fidelity Bond	\$9,852	\$10,856	\$11,182	\$11,517	\$33,554
Performance Bond					
Letter of Credit					
Office Expenses					
Rent	\$155,406	\$168,347	\$173,398	\$178,600	\$520,345
Maintenance/Janitorial	\$12,600	\$11,131	\$11,465	\$11,809	\$34,405
Utilities	\$16,008	\$17,341	\$17,861	\$18,397	\$53,599
Equipment (new)	\$116,700	\$0	\$0	\$0	\$0

	Equipment Maintenance	\$1,500	\$20,791	\$21,415	\$22,057	\$64,263
	Equipment Deprec. (prior purchase)	\$0	\$0	\$0	\$0	\$0
	Accounting and Data Processing	\$33,621	\$156,802	\$161,506	\$166,351	\$484,658
	Telephone	\$18,528	\$25,727	\$26,499	\$27,294	\$79,521
	Postage	\$10,500	\$13,906	\$14,324	\$14,753	\$42,988
	Photocopying/Printing	\$5,250	\$2,238	\$2,306	\$2,376	\$6,921
	Supplies	\$30,000	\$39,979	\$41,178	\$42,414	\$123,571
	Personnel Advertising	\$6,000	\$2,228	\$2,295	\$2,364	\$6,888
	Other Costs	\$94,662	\$67,935	\$69,973	\$72,072	\$209,979
	Profit (Proprietary Firms)					
	Audit	\$14,850	\$15,080	\$15,533	\$15,999	\$46,611
	TOTAL COSTS	\$16,065,136	\$16,640,231	\$17,139,438	\$17,653,622	\$51,433,291
Prepared by:	Telephone No.		Telephone No.		Date	
DHS-CO Review Signature: _____						
DHS #1 _____ 2/1/2000						

2/1/2000

Appendix B, Page 6
Document Date: 4/30/05Program Name: Contract Mode In-Home Supportive Services
(Same as Line 9 on DHS #1)

Homecare Employee Detail

	Current FY	Proposed 1st FY	Proposed 2nd FY	Proposed 3rd FY	Proposed Total
PROVIDER WAGES/EXPENSES:	TERM 7/1/04 - 6/30/05	7/1/05 - 6/30/06	7/1/06 - 6/30/07	7/1/07 - 6/30/08	7/1/05 - 6/30/08
Wages-Regular	\$7,732,500	\$7,818,384	\$8,052,936	\$8,294,524	\$24,165,844
Wages-Overtime	\$347,963	\$312,874	\$322,260	\$331,928	\$967,063
Providers-Wages Unauthorized hours	\$25,549	\$42,713	\$43,994	\$45,314	\$132,021
Providers-Meeting	\$53,169	\$0	\$0	\$0	\$0
Substitute Emergency Providers	\$10,826	\$13,335	\$13,735	\$14,147	\$41,216
Providers-Client Not Home	\$65,726	\$66,336	\$68,326	\$70,375	\$205,037
Weekend Emergency Provider	\$8,578	\$14,162	\$14,587	\$15,025	\$43,774
Travel Pay	\$578,391	\$770,486	\$793,601	\$817,409	\$2,381,495
Wages - Purchased Services	\$6,895	\$0	\$0	\$0	\$0
Vacation Pay	\$448,488	\$337,189	\$347,305	\$357,724	\$1,042,218
Sick Pay	\$216,516	\$247,122	\$254,537	\$262,173	\$763,834
Holiday & Personal Leave	\$322,557	\$350,432	\$360,945	\$371,773	\$1,083,149
Training - Evaluation & HR Meetings	\$10,000	\$24,280	\$25,009	\$25,759	\$75,048
Training - Outside	\$6,000	\$52,917	\$54,505	\$56,140	\$163,563
On-call staffing services	\$16,000	\$0	\$0	\$0	\$0
Payroll taxes	\$936,430	\$959,967	\$988,766	\$1,018,429	\$2,967,163
Worker's compensation insurance	\$0	\$0	\$0	\$0	\$0
Health insurance	\$1,844,588	\$1,937,126	\$1,995,240	\$2,055,097	\$5,987,462
Pension contributions	\$375,000	\$325,743	\$335,516	\$345,581	\$1,006,840
Total Wages & Benefits	\$13,005,173	\$13,273,068	\$13,671,260	\$14,081,398	\$41,025,726
OPERATING EXPENSES:					
Consultant/Training & Translation	\$50,000	\$156,030	\$160,711	\$165,533	\$482,274
Hiring expenses	\$1,000	\$0	\$0	\$0	\$0
Miscellaneous expense	\$22,000	\$16,239	\$16,726	\$17,228	\$50,193
Supplies (providers)	\$18,385	\$22,184	\$22,850	\$23,535	\$68,569
TB-testing	\$5,000	\$0	\$0	\$0	\$0
Travel/Fast Passes	\$189,000	\$0	\$0	\$0	\$0
Total Operating Expenses	\$285,385	\$194,453	\$200,287	\$206,296	\$601,036
TOTAL HOME CARE EMPLOYEE COST	\$13,290,558	\$13,467,521	\$13,871,547	\$14,287,693	\$41,626,761

DHS #2

2/1/2000

Appendix B, Page 7

Document Date 4/30/05

Program Name Contract Mode In-Home Supportive Services
(Same as Line 9 on DHS #1)

Central Administration Detail

	Current FY	Proposed 1st FY	Proposed 2nd FY	Proposed 3rd FY	Proposed Total
TERM	7/1/04 - 6/30/05	7/1/05 - 6/30/06	7/1/06 - 6/30/07	7/1/07 - 6/30/08	7/1/05 - 6/30/08
CENTRAL ADMINISTRATION:					
Wages	\$1,692,065	\$1,856,863	\$1,912,569	\$1,969,946	\$5,739,379
Payroll taxes	\$160,746	\$157,374	\$162,096	\$166,959	\$486,429
Worker's compensation insurance	\$118,445	\$176,632	\$181,631	\$187,388	\$555,951
Health insurance	\$150,433	\$182,199	\$187,665	\$193,295	\$556,160
Pension contributions	\$99,832	\$91,297	\$94,036	\$96,857	\$282,190
Total Wages & Benefits	\$2,221,521	\$2,464,366	\$2,538,297	\$2,614,446	\$7,617,108
OPERATING EXPENSES:					
Insurance & Bonding	\$81,083	\$89,345	\$92,026	\$94,787	\$276,158
Audit	\$14,850	\$15,080	\$15,533	\$15,999	\$46,611
Legal fees	\$7,000	\$11,934	\$12,292	\$12,661	\$36,887
Consultants	\$3,000	\$3,255	\$3,352	\$3,453	\$10,060
Computer technical assistance	\$13,200	\$0	\$0	\$0	\$0
Bad debt (share of costs)	\$7,500	\$608	\$626	\$645	\$1,878
Bank charges	\$1,000	\$425	\$438	\$451	\$1,315
Board retreat	\$0	\$0	\$0	\$0	\$0
Furniture/equipment	\$12,000	\$0	\$0	\$0	\$0
Equipment rental	\$1,500	\$20,791	\$21,415	\$22,057	\$64,263
Hiring expense	\$5,000	\$2,228	\$2,295	\$2,364	\$6,888
Janitorial services	\$6,600	\$11,131	\$11,465	\$11,809	\$34,405
Miscellaneous expense	\$17,000	\$13,019	\$13,409	\$13,812	\$40,240
Paging services	\$555	\$0	\$0	\$0	\$0
Payroll processing	\$28,800	\$153,547	\$158,153	\$162,898	\$474,598
Postage/delivery	\$10,500	\$13,906	\$14,324	\$14,753	\$42,983
Printing/photocopying	\$5,250	\$2,239	\$2,306	\$2,376	\$6,921
Rent-office	\$170,904	\$185,688	\$191,259	\$196,997	\$573,944
Rent-conference meeting room	\$510	\$0	\$0	\$0	\$0
Repair & maintenance	\$6,000	\$0	\$0	\$0	\$0
Sanitax	\$84,700	\$0	\$0	\$0	\$0
Software licensing	\$20,000	\$0	\$0	\$0	\$0
Staff retreat	\$3,150	\$0	\$0	\$0	\$0
Staff training	\$6,773	\$103,255	\$106,352	\$109,543	\$319,150
Supplies	\$30,000	\$39,979	\$41,178	\$42,414	\$123,571
Temporary service/secretarial	\$2,021	\$0	\$0	\$0	\$0
Taxes & licenses	\$3,222	\$3,526	\$3,632	\$3,741	\$10,898
Telephone	\$18,528	\$25,727	\$26,499	\$27,294	\$79,521
Travel - admin/field supervisors	\$12,411	\$12,660	\$13,040	\$13,431	\$39,130
Total Operating Expenses	\$573,058	\$708,344	\$729,595	\$751,483	\$2,189,422
TOTAL CENTRAL ADMINISTRATION	\$2,794,578	\$3,172,710	\$3,267,891	\$3,365,928	\$9,806,530

DHS #3

2/1/2000

Gavin Newsom, Mayor

Trent Rhorer, Executive Director



To: Budget Analyst Office
From: Joseph Huang, Senior Contracts Manager
Date: July 18, 2005
Re: RFP 294 Selection Process and Criteria

DESCRIPTION OF PROCESS:

The proposal review process for RFP 294, as stated on pages 18 and 19 of the RFP, is as follows:

Proposal Review and Evaluation Panel

1. The Agency will verify that the proposals have met all the requirements to be considered responsive. Additionally, the Agency will verify that the proposals meet the acceptance requirements stated in the first section of the Evaluation Criteria, as stated in Attachment C of this proposal. Failure to comply with the proposal requirements contained in this RFP may result in elimination of that proposal from consideration. All responsive proposals will then be submitted to the Proposal Evaluation Panel for scoring.
2. A Proposal Evaluation Panel will review all qualified proposals, score them, and submit findings and recommendations to the Executive Director, SFHSA.
3. The Proposal Evaluation Panel shall consist of HSA staff and/or other individuals who have experience in the service areas requested in this RFP. HSA will select the members of this Panel.
4. Any attempt by a respondent to contact a member of the Proposal Evaluation Panel during the proposal review process will be considered tampering and will result in the elimination of that proposal from consideration.
5. Non-compliance with provisions of any Contract entered into as a result of this RFP may result in termination for default and a declaration that Contractor is not eligible to propose or bid on subsequent contracts.

Awarding of the Contract

1. All respondents will be notified in writing of the results of the evaluation scoring.
2. The tentative award may be conditioned on inclusion of changes/additional terms. Negotiations over the specific terms and language may be required before submission to the Human Services Commission for approval.
3. If HSA is unable to negotiate a satisfactory agreement with the winning respondent, HSA may terminate negotiations with that respondent and proceed to negotiate with other qualified respondents, in the order of their ranking in the evaluation process. This process may be repeated until a satisfactory contractual agreement has been reached.
4. Final award of the contract is subject to approval by the Human Services Commission and the Board of Supervisors.

EVALUATION PANELISTS:

The four panelists who evaluated the proposals are as follows: 1) Heidi Cartan – Public Policy Coordinator, Santa Clara County IHSS Public Authority; 2) Megan Elliot – Finance & Planning Analyst, SF HSA; 3) Elizabeth Rottger – Director, Marin County Division on Aging; and 4) William Weidinger – Division Manager, Contra Costa County Employment and Human Services, Adult Services Division.

QUALIFYING EVALUATION CRITERIA:

The qualifying evaluation criteria for RFP 294, as stated on page C-1 of the RFP, are as follows:

1. Proposal format conforms to the instructions in Section III. Submission Requirements of this RFP. All applicable attachments are in the order listed in Section III.C. Required Proposal Documentation of this RFP.
2. All required fiscal information is included.
3. All required annual financial reports are included and demonstrate good credit.
4. Corporate status of at least four years is demonstrated.
5. A minimum of four years experience in the area of providing IHSS in a multi-ethnic, multi-lingual setting is demonstrated.
6. Demonstrated community outreach and participation in community forums/meetings that affect IHSS services in San Francisco County.
7. References are attached.

EVALUATION SCORING CRITERIA:

The scoring criteria was grouped into three categories: program design, organizational background and ability, and fiscal considerations. There were ten questions overall, five in the program design section, three in organizational background and ability, and two in fiscal considerations.

EVALUATION SCORING:

A summary of the actual scoring is attached.

RFP # 294 Contract mode IHSS

Scoring Summary

Panelist

	Panelist	A	B	C	D	Totals
Consortium						
Program Design 55pts			51	50	52	52 205
Organizational background and ability 30 pts			28	30	29	30 117
Fiscal Considerations 15pts			11	10	11	12 44
					total	366
					Avg = 91.5	

	Panelists	A	B	C	D	Totals
Addus						
Program Design 55pts			22	24	37	25 108
Organizational background and ability 30 pts			13	17	21	14 65
Fiscal Considerations 15pts			11	13	11	12 47
					total	220
					Avg = 55	

City and County of San Francisco

Human Services Agency

Department of Human Services
Department of Aging and Adult Services

Gavin Newsom, Mayor

Trent Rhorer, Executive Director



To: Budget Analyst Office
From: Joseph Huang, Senior Contracts Manager
Date: July 11, 2005
Re: Advertisement for RFP 294

For RFP 294, the Human Services Agency advertised through the Purchasing Department in its Bids & Contracts Opportunity Newsletter and on the City and County's Bids and Contracts website (<http://sunset.ci.sf.ca.us/pbids.nsf>) with links from the Department of Human Services' website. The Human Services Agency also advertised through the following newspapers: San Francisco Independent, El Latino, El Mensajero, El Reportero, China Press, Asian Week, New Bayview, the Bay Area Reporter, and SF Business Woman. The Human Services Agency also sent direct mailings to the following organizations: Addus Healthcare, IHSS Consortium (the current contractor), and Nurse Providers.

The following organizations were aware of the RFP, as they provided letters of support to the IHSS Consortium's proposal or were included in the proposal.

Adult Day Services Network
Arriba Juntos
Coalition of Agencies Serving the Elderly
Curry Senior Center
Family Service Agency of San Francisco
Independent Living Resource Center of San Francisco
IHSS Public Authority
Institute on Aging
Jewish Family and Children's Services
Jewish Vocational Services
Kimochi, Inc.
Legal Assistance to the Elders, Inc.
Little Brothers – Friends of the Elderly
Meals on Wheels
Northern California Presbyterian Homes and Services
On-Lok
Planning for Elders
San Francisco Senior Center
San Francisco Partnership for Community-Based Care & Support
Self-Help for the Elderly

Gavin Newsom, Mayor

Trent Rhorer, Executive Director

Attachment IV

To: Budget Analyst Office
From: Joseph Huang, Senior Contracts Manager
Date: July 26, 2005
Re: Administrative Costs Explanation

The IHSS Consortium contract budget utilizes the State IHSS format. Because the State is interested in the costs that are directly attributed to the home care providers, their form separates home care providers costs from all other costs, which is labeled "administration costs." However, for the IHSS Consortium contract, the "administration costs" section contains both program costs (non-provider related program costs) and administrative costs. These program costs include the salaries and benefits for the Program Service Director, Program Assistants, IHSS Service Supervisors, and an allocation of the operating expenses. These program costs total approximately \$6.1 million (12.3% of the total costs) for the proposed contract and approximately \$4.6 million (9.2% of the total costs) for the previous three years. The remaining true administration costs total approximately \$3.7 million (7.3% of the total costs) for the proposed contract and approximately \$3.6 million (7.2% of the total costs) for the previous three years.

The increase in these program costs can be attributed to a reorganization of the service delivery model that includes an increase in supervisory staff (\$220,000/yr), increased workers comp costs (\$180,000/yr), and a shift in worker training costs (\$100,000/yr).



City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Clerk: Gail Johnson

Thursday, August 04, 2005

1:05 PM

City Hall, Room 263

Special Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation
- 2) Budget Analyst report
- 3) Legislative Analyst report
- 4) Department or Agency cover letter and/or report
- 5) Public correspondence

These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

DOCUMENTS DEPT.

REGULAR AGENDA

AUG 01 2005

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1. 051257 [Sweatfree Ordinance]

Mayor, Supervisors Ammiano, Alioto-Pier, Daly, Mirkarimi, Maxwell, McGoldrick, Dufty, Ma Ordinance amending the San Francisco Administrative Code by adding Chapter 12U, finding that the City would benefit by spending its funds in a manner that would support safe and humane working conditions; requiring contractors and subcontractors providing goods to the City and County to comply with laws and standards affecting labor and employment conditions for employees performing work under the contract and subcontracts, including: not engaging in abusive forms of child labor, foreign convict or forced labor, or slave labor; and compliance with all human and labor rights and labor standards imposed by law or treaty law on the country where the goods are being made or assembled; paying wages that are not less than a minimum wage established by the Director of the Office of Contract Administration; compliance with all applicable laws governing wages, employee benefits, health and safety, labor, environmental conditions, nondiscrimination, freedom of association; creating the Sweatfree Procurement Advisory Group to make recommendations on the implementation, administration or enforcement of this Chapter to the Director of the Office of Contract Administration and the Office of Labor Standards Enforcement; targeting the procurement of garments for enforcement of this Chapter during the first full fiscal year following the effective date of the Chapter, and, thereafter, targeting other goods for enforcement based on recommendations of the Sweatfree Procurement Advisory Group submitted by the Director of the Office of Contract Administration to the Board of Supervisors and approved by ordinance.

(Fiscal impact.)

6/29/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsors request this item be scheduled for consideration at the August 4, 2005 meeting.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30 day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

**翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701**

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Adele Destro by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

**BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689**

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 29, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: August 4, 2005 1:05 PM Special Budget and Finance Committee Meeting

Item 1 - File 05-1257

Department: Office of Contract Administration (OCA)
Office of Labor Standards Enforcement (OLSE)

Item: Ordinance prohibiting contractors and subcontractors who provide goods to the City from maintaining Sweatshop Labor¹ conditions and requiring compliance with minimum wage and other employment and labor standards.

Description: The proposed ordinance would amend the Administrative Code by adding Chapter 12U. The proposed ordinance would apply to all City contracts² for the procurement of goods and impose standards affecting labor and employment conditions for employees performing work under the contracts. Specifically, the proposed ordinance would require contractors and subcontractors³ providing goods to the City to:

DOCUMENTS DEPT.

AUG 03 2005

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¹ "Sweatshop labor," as defined by Section 12U.2 of the proposed ordinance, means work performed by any worker under terms or conditions that seriously or repeatedly violate laws of the jurisdiction within which the work is performed governing wages, employee benefits, health and safety (including exposure to hazardous or toxic substances), labor (including collective bargaining rights), environmental conditions, nondiscrimination, harassment, retaliation, freedom of association, or building or fire codes. "Sweatshop labor" would also include any work that constitutes Foreign Convict or Forced labor, Abusive forms of Child Labor, or Slave Labor, as defined by Section 12U.2 of the proposed ordinance.

² A contract is an agreement for the purchase of goods for an amount greater than \$25,000 and having a term in excess of three months. According to Deputy City Attorney Robert Bryan, the proposed ordinance would apply to all agreements for the purchase of goods, including purchase orders and contracts administered by the OCA. Further, Mr. Bryan advises that the proposed ordinance would only apply to contracts for the procurement of goods, not for professional services contracts or general services contracts unless such contract involves more than an incidental purchase of goods, which is defined in the proposed ordinance as "if the amount paid by the City for the goods is 10 percent or less than the total amount of the contract."

³ "Subcontract," as defined by Section 12U.2 of the proposed ordinance, includes any agreement or arrangement directly with a City contractor or any subcontractor under a City contractor, except for any agreement or arrangement for an amount less than the lesser of (a) 10 percent of the amount of the higher tier subcontractor's work or (b) \$25,000.

- (a) not engage Sweatshop Labor;
- (b) comply with all human and labor rights and labor standards imposed by law or treaty on the country where the goods are being made or assembled;
- (c) pay wages that are not less than a minimum wage established by the Director of the OCA (see Comment No. 4); and,
- (d) maintain three years of data, including basic payroll and time records for every worker, and copies of any tax records filed with the applicable government entity.

Contracts Affected by Proposed Ordinance

According to Mr. Robert Bryan, Deputy City Attorney, until the end of the first full fiscal year after the proposed ordinance's effective date, or up until July 1, 2007, the proposed ordinance would only target contracts for apparel, garments and corresponding accessories, materials, supplies and equipment (apparel and related items). According to Ms. Naomi Little, Director of the OCA, in FY 2004-2005 the City administered 13 contracts for the procurement of apparel, garments and corresponding accessories, materials, supplies and equipment, which totaled approximately \$2,103,000 (see Comment No. 2).

Ms. Little advises that after the first full fiscal year after implementation, or by July 1, 2007, if this proposed ordinance is adopted, the proposed ordinance may affect the City's contracts for the purchase of goods other than apparel and related items. The selection of which contracts will be affected would be based on recommendations made by a Sweatfree Procurement Advisory Group, which would be established by the proposed ordinance and is described in more detail below. These recommendations would then be included in a new ordinance and submitted at some time in the future by the Director of OCA to the Board of Supervisors for consideration and potential approval (see Comment No. 3).

According to Ms. Little, in making its recommendations concerning which contracts to include for enforcement under the proposed subject ordinance, the Sweatfree Procurement Advisory Group would consider factors such as:

BOARD OF SUPERVISORS

BUDGET ANALYST

- (a) the amount the City spends on the good;
- (b) evidence of Sweatshop Labor, as defined in Section 12.U2 of the proposed ordinance, or other conditions prohibited by the proposed ordinance in the manufacturing, assemblage, or distribution of the good; and,
- (c) the financial impact that targeting the good for enforcement will have on the City.

The Budget Analyst notes that, although increased cost is listed in the proposed ordinance as a factor for consideration, the proposed ordinance does not define a threshold pertaining to the financial impact for targeting a particular good for enforcement.

Administration, Monitoring, and Enforcement

According to Mr. Bryan, the proposed ordinance would apply to all City procurement contracts and all of the contracts' subcontracts, unless a subcontract is for an amount less than the lesser of (a) 10 percent of the amount of the higher tier subcontractor's work or (b) \$25,000. Mr. Bryan advises that, before commencing any work under a contract, a contractor would be required to provide the OCA with information related to the proposed subcontractors to be used. Contractors and subcontractors would be required to keep payroll and time records for all of its employees, as well as any tax records filed with a governmental entity, and provide these to the City upon request.

Mr. Bryan advises that if any contractors are found to be in violation of the Sweatshop Labor and other provisions outlined in this proposed ordinance, the City may seek remedies, including terminating the contracts, debarment, withholding payments, and assessing liquidated damages equal to the greater of \$1,000 or 20% of the amount of goods provided in violation of the proposed ordinance. Mr. Bryan further advises that the ordinance also authorizes the Director of the OCA and the OLSE to request, each year, a written assurance of compliance from each contractor and each of its subcontractors.

BOARD OF SUPERVISORS

BUDGET ANALYST

The proposed ordinance would create the Sweatfree Procurement Advisory Group consisting of 11 members, of which five members will be appointed by the Board of Supervisors, five appointed by the Mayor, and one appointed by the Controller. The Sweatfree Procurement Advisory Group would evaluate the implementation, administration, and enforcement of the proposed ordinance, as well as evaluate which categories of goods should be targeted for enforcement in addition to apparel and related items, as discussed above. At the end of every fiscal year, the Sweatfree Procurement Advisory Group will submit a written report to the Director of OCA and the OLSE that contains recommendations on the implementation of the proposed ordinance or its extension to other categories of goods. Each recommendation in the report is to be accompanied by an analysis of the financial impact that adoption of the recommendations will have on the City. The Director may submit any of these recommendations to the Board of Supervisors for adoption in the form of an ordinance.

According to Ms. Little, until such time as the City determines that it is able to adequately monitor compliance using City personnel, the OCA will enter into a professional services contract with an independent non-profit agency, with expertise in monitoring and reporting on Sweatshop Labor, for assistance in monitoring the compliance of contractors and all the contractors' subcontractors. Ms. Little advises that OCA has not yet advertised the professional services contract, which is to be awarded using a Request for Proposal process, and will not do so until the proposed ordinance is approved by the Board of Supervisors, although \$50,000 has been programmed for this function in the FY 2005-2006 budget for OCA in the Administrative Services Department (see Comment No. 1).

Comments:

1. Administrative Fiscal Impact

In the FY 2005-2006 budget, \$100,000 was included in the Administrative Services Department for the implementation of the proposed ordinance, as follows:

- \$50,000 to OCA to fund the professional services contract discussed above for assistance in monitoring the compliance of contractors and subcontractors. As previously mentioned, the OCA has not yet advertised the contract, and will not do so until the proposed ordinance is approved by the Board of Supervisors.
- \$50,000 to OLSE for administrative support related to the implementation of the proposed ordinance. According to Ms. Donna Levitt, the Director of OLSE, the \$50,000 will provide for one new part time 2992 Contract Compliance Officer I position at an annual salary and fringe benefits cost of approximately \$98,508. The Attachment, provided by Ms. Levitt, is a proposed job description for the 2992 FTE Contract Compliance Officer I position. The Budget Analyst notes that with the FY 2005-2006 appropriation of \$50,000, the OLSE could hire the 2992 position full-time for approximately six months, or from January 1, 2006 through the end of the fiscal year on June 30, 2006. (A full-time 2992 Contract Compliance Officer I requires \$75,951 in salaries and \$22,557 in mandatory fringe benefits, totaling \$98,508.) However, Ms. Levitt advises that instead of hiring the proposed new 2992 position full-time for six months, the OLSE plans to hire a part time 0.5 FTE, thereby allowing the OLSE to fill the position prior to January 1, 2006. Ms. Levitt advises that there is no additional funding source in the OLSE available to fund the remaining amount that would be required to make the proposed new position full-time for the remainder of FY 2005-2006.

Ms. Levitt further advises that the 0.5 FTE 2992 Contract Compliance Officer I position was included in the FY 2005-2006 budget, and the OLSE plans to request continued funding for the new position during the FY 2006-2007 budget deliberations.

The Budget Analyst notes that the administrative implementation costs for FY 2006-2007 may be similar to the \$100,000 appropriated for implementation costs in FY 2005-2006 because the proposed ordinance will still only

impact contracts for the procurement of apparel and related items in FY 2006-2007. However, Ms. Levitt advises that actual implementation costs are still unknown at this time and the needs for FY 2006-2007 may change. Additionally, the Budget Analyst notes that administrative implementation costs may increase in future fiscal years to reflect increased costs related to the possible addition of other categories of goods besides apparel and related items for enforcement by the proposed ordinance, with the increased need for administrative, monitoring, and enforcement support.

2. Fiscal Impact Related to the Procurement of Apparel

According to Ms. Little, the fiscal impact of the proposed ordinance as it relates to the procurement of apparel and related items, including garments and corresponding accessories, materials, supplies and equipment, is uncertain but it is possible that increased procurement costs to the City could result and could potentially be significant. Ms. Little advises that increased costs could result if contractors choose not to do business with the City because they are unable to comply with the provisions of the proposed ordinance, thus reducing the pool of available contractors and pricing competition among contractors, thereby possibly resulting in a lesser number of competitive bids being submitted to the City, which would potentially result in increased bid prices and related costs to the City.

As previously noted, in FY 2004-2005, the City purchased approximately \$2,103,000 in apparel, garments and corresponding accessories, materials, supplies and equipment through 13 contracts. According to Ms. Little, the City will likely expend approximately the same amount in FY 2005-2006 for apparel, garments and corresponding accessories, materials, supplies and equipment.

Ms. Little advises that it is not unusual for contractors to not maintain detailed records pertaining to all of the subcontractors working under them as a result of the many levels in the chain from production to distribution of certain goods. One vendor informed the Budget Analyst that it would pose a significant burden upon the

contractor to provide information related to any more than two levels of the contractor's subcontractors (i.e the contractors' subcontractors and their subcontractors), especially in the situation when goods are assembled from materials having different origins, such as textiles or computer equipment. Consequently, according to Ms. Little, it is possible that it may be likely that some contractors will be unable or unwilling to confirm that all of their subcontractors are complying with the provisions of the proposed ordinance and may, therefore, choose to not contract with the City in the future.

As previously noted, Ms. Little advised that approval of this proposed ordinance could result in increased procurement costs for the City. The Budget Analyst notes that, should the proposed ordinance cause an increase in procurement costs by five percent for apparel and related items, and the annual procurement needs for apparel and related items remain the same as in FY 2004-2005 at \$2,103,000, this would result in increased annual procurement costs of \$105,150 (\$2,103,000 times five percent).

3. Future Fiscal Impact Related to the Procurement of Other Categories of Goods

As previously noted, the proposed ordinance's application to the procurement of goods, other than apparel, garments and corresponding accessories, materials, supplies and equipment, will be subject to subsequent approval by the Board of Supervisors after the first full fiscal year following the effective date of the proposed ordinance, or after July 1, 2007. Because future categories of affected goods are unknown at this time, the Budget Analyst notes that the full fiscal impact of the proposed ordinance cannot be calculated at this time.

Ms. Little advises that other categories of goods that could potentially be affected in the future include computer hardware equipment, vehicles, and coffee. According to Ms. Little, those categories of goods, as opposed to other categories of goods, might be affected because "sweatfree" advocacy groups outside of City government have expressed an interest in having the proposed ordinance apply to those categories of goods. The

table below, based on data provided by Ms. Little, shows the actual purchased amounts of those categories of goods in FY 2004-2005.

Procurement Category	FY 2004-2005 Actual Expenditures
Computer Hardware Equipment	\$ 14,046,751
Vehicles	\$ 6,668,493
Coffee	\$ 2,157

The Budget Analyst notes that, if the cost of such goods increases by five percent as a result of the proposed ordinance, the increased annual costs to the City for the above procurement categories would be the amounts shown in the table below:

Procurement Category	Potential Cost Increase
Computer Hardware Equipment	\$ 702,338
Vehicles	\$ 333,425
Coffee	\$ 108

According to Ms. Little, the total value of all goods purchased through ADPICS (the City's electronic purchasing system) in FY 2004-2005 was \$278,726,640.

4. Minimum Wage Levels

As previously noted, according to the proposed ordinance, the minimum wage required by contractors and subcontractors is to be set and adjusted annually by the Director of OCA. The annual minimum wage for workers in the United States is to be set, (for working 2,080 hours, or equivalent to 40 hours per week for 52 weeks) at an amount equal to or greater than the U.S. Department of Health and Human Services most recent poverty guidelines for a family of three plus an additional 20 percent of the wage level paid, as required by the proposed ordinance.

The 2005 U.S. Department of Health and Human Services sets the poverty line at \$16,090 annually for a family of three. The Budget Analyst notes that, with the additional

20 percent required by the proposed ordinance, the minimum wage for a domestic worker working 2,080 hours per year would be \$19,308 annually, or the equivalent of a wage rate of \$9.28 per hour. According to Ms. Levitt, the current San Francisco minimum wage is \$8.62 per hour, the State of California minimum wage is \$6.75 per hour, and the Federal minimum wage is \$5.15 per hour, which applies in States that have not set their own minimum wage rates.

Under this proposed ordinance, this minimum wage of \$9.28 per hour would apply to all contractors and subcontractors with workers in the United States. The Budget Analyst notes, however, that the City has not evaluated how many of its contractors and subcontractors with workers in the United States are paying the minimum wage levels required by the proposed ordinance. According to Mr. Bryan, the City currently has a Minimum Compensation Ordinance and Health Accountability Ordinance that require contractors and subcontractors working with the City to pay a "living wage" and to provide certain minimum levels of health care to their employees. However, Mr. Bryan advises that those ordinances apply only to contractors and their subcontractors that perform services for the City, and not for City contracts for the procurement of goods, which is the subject of this proposed ordinance.

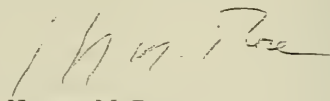
Under this proposed ordinance, the annual minimum wage for workers working outside of the United States is to be comparable to the wages for United States contractors and subcontractors discussed above and adjusted to reflect the specific country's level of economic development by using the World Bank's most recent Gross National Income per capita Purchasing Parity Index⁴. Using the 2004 World Bank Gross National Income per

⁴ This Gross National Income per capita Purchasing Parity Index is the gross national income per capita (GNI) converted to international dollars using purchasing power parity. According to the World Bank's website, an international dollar has the same purchasing power over GNI as a U.S. dollar has in the United States, and the World Bank favors this measure for accurate measurement of poverty because "... it substitutes global prices for local measured prices, thereby more accurately reflecting the real value of the good or service in question. This is especially true of non-tradable services which are assumed to produce the same level of welfare from one country to another, but which vary widely in their measured local price."

(<http://www.worldbank.org/data/quickreference/quickref.html>)

capita Purchasing Parity Index, the Budget Analyst calculates that the minimum wage required by the ordinance for workers working outside of the United States would be, for example, approximately \$0.72 per hour in India, \$1.29 per hour in China, and \$2.24 per hour in Mexico. The Budget Analyst notes, however, that the City has not evaluated how many of its contractors and subcontractors with workers in countries other than the United States are paying minimum wage levels required by the proposed ordinance.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Mirkarimi
Supervisor Elsbernd
Supervisor Ma
Supervisor McGoldrick
President Peskin
Supervisor Alioto-Pier
Supervisor Daly
Supervisor Dufty
Supervisor Maxwell
Supervisor Sandoval
Clerk of the Board
Controller
Erin McGrath
Ted Lakey
Cheryl Adams

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF LABOR STANDARDS ENFORCEMENT
DONNA LEVITT, MANAGER

Attachment



Contract Compliance Officer
Duties Envisioned for Sweatfree Ordinance

1. Make presentations at pre-bid meetings to contractors / vendors bidding on City contracts about the requirements of the Ordinance
2. Review compliance by contractors on City contracts, including auditing payroll records and any other records regarding compliance with safety, labor, environmental, non-discrimination, freedom of association, child labor, forced labor, slave labor, human rights or labor standards laws, inspection of worksites, and interviewing employees / employers as needed and when practical
3. Issue written reports of non-compliance
4. Recommend and coordinate enforcement actions, including requiring contractors to provide training to ensure future compliance, the assessment of liquidated damages, termination of a contract, payment withholdings, and debarment
5. Provide staff support to the Sweatfree Procurement Advisory Group
6. Develop and maintain a website with information about the Ordinance
7. Be the City's point of contact for external communications / inquiries regarding the Ordinance, including communications with the international human rights monitor
8. Represent the Office of Labor Standards Enforcement at community meetings and before government bodies



City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, September 15, 2005

1:00 PM

City Hall, Room 263

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation*
- 2) Budget Analyst report*
- 3) Legislative Analyst report*
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AGENDA CHANGES

REGULAR AGENDA

1. 051500 [Public Education Enrichment Fund]

Supervisor Ammiano

Resolution approving the San Francisco Unified School District revised expenditure plans for the Public Education Enrichment Fund.

9/6/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the September 8, 2005 meeting.

9/8/05, CONTINUED. Heard in Committee. Speakers: Monique Zmuda, Deputy Controller; Nancy Waymack, Director of Policy and Resource Management, San Francisco Unified School District; Lawanna Preston, Staff Director, SEIU, Local 790; Dennis Kelly, President, United Educators of San Francisco; Noelle Simmons, Mayor's Budget Office; Michelle Medina, Chief Administrative Officer, San Francisco Unified School District.

Continued to September 15, 2005.

2. 050645 **[Amendment of Contract between Ciber, Inc. and the City and County of San Francisco for Computer-related Services]**
 Supervisor Daly
Resolution authorizing the Committee on Information Technology and Purchaser to amend the contract between Ciber, Inc. and the City and County of San Francisco for computer-related services by increasing the amount of the contract from an amount not to exceed \$9,999,999 to an amount not to exceed \$25,000,000.
- (Fiscal impact.)
- 4/12/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
9/8/05, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Deborah Vincent-James, Committee on Information Technology; Monique Zmuda, Deputy Controller.
Continued to September 15, 2005.
3. 050916 **[Community Choice Aggregation Implementation Plan]**
 Supervisors Ammiano, Mirkarimi
Resolution approving a Community Choice Aggregation (CCA) Implementation Plan (IP).
- (Fiscal impact.)
- 5/24/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
4. 051417 **[Policy and Program Recommendations for a Community Choice Aggregation (CCA) Implementation Plan.]**
 Supervisors Mirkarimi, Ammiano, McGoldrick
Resolution submitting Policy and Program Recommendations for a Community Choice Aggregation (CCA) Implementation Plan.
- (Fiscal impact.)
- 8/9/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

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There are no items now pending under the 30 day rule.

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BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!



City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, September 29, 2005

1:00 PM

City Hall, Room 263

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation*
- 2) Budget Analyst report*
- 3) Legislative Analyst report*
- 4) Department or Agency cover letter and/or report*
- 5) Public correspondence*

These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

DOCUMENTS DEPT.

AGENDA CHANGES

SEP 27 2005

REGULAR AGENDA

SAN FRANCISCO
PUBLIC LIBRARY

09-27-05 A10:11 RCLVD

1. 051400 [Golf Fees - Harding Park, Golden Gate Park]
Supervisor McGoldrick

Ordinance making environmental findings and amending the San Francisco Park Code, Article 12, by amending Sec. 12.12 to increase the fees at Harding Park and Fleming Golf Courses; amending Sec. 12.16 to increase the fees at Golden Gate Park Golf Course.

7/21/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

7/21/05, CONTINUED. Divided from File 051258.

Continued to September 22, 2005.

2. **051512** **[Amendment to Budget Analyst contract to exercise two year option]**
Supervisor Peskin
Motion approving exercising the first option set forth in the agreement for Professional Budget Analyst Services between the City and County of San Francisco and Stanton W. Jones and Associates; Debra A. Newman; Rodriguez, Perez, Delgado & Company Certified Public Accountants; Harvey M. Rose Accountancy Corporation Certified Public Accountants; and Louie & Wong LLP Certified Public Accountants ("A Joint Venture") to extend the term of the Agreement from January 1, 2006 through December 31, 2007.
- (Fiscal impact.)
- 9/6/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
3. **051533** **[Contract between the Department of Public Health and Accordis, Inc. to provide retroactive claiming of aged accounts services]**
Resolution authorizing the Director of Public Health and the Director of the Office of Contract Administration/Purchaser to continue a contract between the City and County of San Francisco and Accordis, Inc. to provide retroactive claiming of aged accounts services for the period of July 1, 2004 through June 30, 2008. (Public Health Department)
- 9/12/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
4. **051440** **[Airport Equipment Maintenance and Operating Agreement]**
Resolution approving Equipment Maintenance and Operating Agreement between San Francisco Terminal Equipment Company, LLC and the City and County of San Francisco, acting through its Airport Commission. (Airport Commission)
- 8/10/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
5. **051530** **[Airport Public Parking Services Proposition]**
Resolution approving the Controller's certification that Airport Public Automobile Parking Facilities for San Francisco International Airport can practically be performed by private contractor at a lower cost than if work were performed by city employees at budgeted levels. (Airport Commission)
- 9/9/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
6. **051531** **[Airport Employee Parking Services Proposition J]**
Resolution approving the Controller's certification that Airport Employee Parking Facilities for San Francisco International Airport can practically be performed by private contractor at a lower cost than if work were performed by city employees at budgeted levels. (Airport Commission)
- 9/9/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
7. **050922** **[Payroll Expense Tax Exclusion for Qualified Renewable Energy Businesses]**
Supervisors McGoldrick, Mirkarimi
Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for qualified renewable energy businesses, as specified.
- 5/24/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

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**051604 [Payroll Expense Tax Exclusion for Persons Who Hire the Disabled and the Homeless]
Supervisor Alioto-Pier**

Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for persons who hire the disabled and the homeless, as specified.

9/20/05, ASSIGNED UNDER 30 DAY RULE to Budget and Finance Committee, expires on 10/20/2005.

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IMPORTANT HEARING NOTICE!!!



SEP 27 2005

BOARD OF SUPERVISORS

BUDGET ANALYST

SAN FRANCISCO
PUBLIC LIBRARY1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 22, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: September 29, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-1400

Department: Recreation and Park Department (RPD)

Item: Ordinance making environmental findings and amending the San Francisco Park Code, Article 12, by amending Section 12.12 to increase golf course fees at the City-owned Harding Park and Fleming Golf Courses.

Increase in Golf

Course Fee Revenues: \$48,000 in FY 2005-2006;
\$72,000 annually thereafter

Source of Funds: Golf Course Fee Revenues

Description: In accordance with the golf course fee schedules in Attachment I, provided by Ms. Katie Petrucione of the Recreation and Park Department (RPD), golf fees under the proposed ordinance would be increased in FY 2005-2006, effective November 1, 2005, at the City-owned Harding Park and Fleming Golf Courses. The proposed fees increase would be in addition to those golf course fees previously approved by the Board of Supervisors for FY 2005-2006 (See Comment No. 1).

According to Ms. Petrucione, total estimated Golf Fee revenues from these two golf courses would be increased (a) by an estimated \$48,000 in FY 2005-2006, from \$4,381,000 to \$4,429,000; and (b) by an estimated \$72,000

on an annual basis, from \$4,381,000, to \$4,453,000, thereafter.

Comments:

1. Attachment II, provided by Ms. Petrucione, contains the schedule of the golf course fee increases, effective September 1, 2005, previously approved by the Board of Supervisors for FY 2005-2006 at the City-owned Harding Park, Fleming, and Golden Gate Park Golf Courses. According to Ms. Petrucione, the golf course fees increase, as previously approved by the Board of Supervisors, is estimated to result in \$45,000 in additional golf fee revenues in FY 2005-2006, for total estimated increased revenues of \$93,000 in FY 2005-2006 (\$48,000 from the subject proposed ordinance plus \$45,000 from the previously approved fees increase).

2. There are a total of six City-owned golf courses. In addition to the Harding Park, Fleming, and Golden Gate Park Golf Courses, the other three City-owned golf courses are Sharp Park, Lincoln Park, and Gleneagles (McLaren) Golf Courses. Fees at these latter three golf courses would remain at the same fee level in FY 2005-2006 as was being charged in FY 2004-2005.

3. In Attachment III, provided by Ms. Petrucione, Ms. Petrucione states that "Lincoln and Sharp have both experienced significantly reduced rates of play over the past five years, partly as a result of poor conditions at the courses. Since 2000 the number of rounds played at Lincoln has fallen by 50 percent and the number of rounds played at Sharp has fallen by 38 percent. This decline in play has reduced greens fees revenue, a fact that the department reflected in its 2005-2006 budget."

4. Attachment IV, provided by Ms. Petrucione, is RPD's itemized FY 2005-2006 budgeted revenues and expenditures for the six City-owned golf courses, and previously appropriated by the Board of Supervisors. As shown in Attachment IV, total budgeted expenditures in FY 2005-2006 for the six City-owned golf courses are \$10,877,000, which is equal to the total estimated revenues of \$10,877,000 for FY 2005-2006.

Memo to Budget and Finance Committee
September 29, 2005 Budget and Finance Committee Meeting

5. According to Ms. Petrucione, all golf fee revenues accrue to the Golf Fund and such revenues pay for costs of the City's six golf courses. Ms. Petrucione advises that no General Fund monies have been appropriated for the FY 2005-2006 operation of RPD's six golf courses.

6. The Budget Analyst will review the operations, including revenues and expenditures, of the six City-owned golf courses as part of the management audit of RPD, which is expected to be submitted to the Board of Supervisors in December of 2005.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harding Park and Fleming Golf Course Fee Schedules

Harding 18-Hole Golf Course	Current		Proposed - 05-1400	
	Standard	Bay Area Resident*	Standard	Bay Area Resident**
Weekdays (M-Th):				
Standard	\$125.00	\$81.00	\$125.00	\$82.00
Off season/Aerification**	\$105.00	\$68.00	\$105.00	\$68.00
Twilight	\$80.00	\$56.00	\$80.00	\$58.00
Super Twilight (5 pm)		\$39.00		\$39.00
Weekends (Fri - Sun):				
Standard	\$138.00	\$94.00	\$138.00	\$94.00
Off season/Aerification**	\$118.00	\$79.00	\$118.00	\$79.00
Twilight	\$92.00	\$49.00	\$92.00	\$49.00
Super Twilight (5 pm)				
S.F. Resident (Junior):				
Weekday				\$15.00
Weekend				\$20.00
S.F. Resident (Senior):				
Weekday				\$21.00
Weekend				\$48.00
Tournament:				
Weekday	\$99.00		\$99.00	
Weekend	\$109.00		\$109.00	
Weekday - Off season/Aerification**	\$84.00		\$84.00	
Weekend - Off season/Aerification**	\$94.00		\$94.00	
Hotel Package:				
Weekday				
Weekend				

* Bay Area Resident is residents of Alameda, Contra Costa, Marin, San Mateo, Santa Clara, Santa Cruz, and Sonoma Counties

** Offseason is from December 1 to the last day of February. Aerification is from the first day that major greens aerification starts until 7 days after completion.

Fleming 9-Hole Golf Course	Current		Proposed - 05-1400	
	Standard	S.F. Resident	Standard	S.F. Resident
Weekdays (M-Th):				
Standard	\$20.00	\$16.00	\$22.00	\$17.00
Weekends (Fri - Sun):				
Standard	\$25.00	\$18.00	\$27.00	\$19.00
Weekday	\$7.00	\$7.00	\$7.00	\$7.00
Weekend	\$10.00	\$10.00	\$10.00	\$10.00
S.F. Resident (Junior):				
Weekday	\$10.00	\$10.00	\$11.00	\$11.00
Weekend	\$15.00	\$15.00	\$16.00	\$16.00
Tournament:				
Weekday	\$25.00	\$25.00	\$27.00	\$27.00
Weekend	\$36.00	\$36.00	\$38.00	\$38.00
Replay				
Standard	\$0.00	\$0.00	\$8.00	\$8.00

GRAM - GOLF

Description	Previous 2004-05 Fee	Board-Approved 2005-06 Fee
Learning Golf Green Fees		
Category: Weekdays - Mon-thur, Weekends - Fri-Sun		
Resident with card, Weekdays	\$16.00	\$16.00
Resident with card, Weekends	\$18.00	\$18.00
Nonresident, Weekdays	\$18.00	\$20.00
Nonresident, Weekends	\$23.00	\$25.00
Junior, Weekdays	\$7.00	\$7.00
Junior, Weekends	\$10.00	\$10.00
Senior, Weekdays	\$10.00	\$10.00
Senior, Weekends	\$15.00	\$15.00
Tournament, Weekdays	\$26.00	\$25.00
Tournament, Weekends	\$37.00	\$36.00
Harding Golf Green Fees		
Category:		
Resident with card, Weekdays	\$33.00	\$35.00
Resident with card, Weekends	\$46.00	\$48.00
Nonresident, Weekdays	\$78.00	\$80.00
Nonresident, Weekends	\$90.00	\$92.00
Junior, Weekdays	\$10.00	\$15.00
Junior, Weekends	\$15.00	\$20.00
Senior, Weekdays	\$20.00	\$25.00
Senior, Weekends	\$46.00	\$48.00
Resident Twilight, Weekdays	\$24.00	\$25.00
Resident Twilight, Weekends	\$32.00	\$34.00
Nonresident Twilight, Weekdays	\$57.00	\$58.00
Nonresident Twilight, Weekends	\$68.00	\$69.00
Tournament, Weekdays	\$92.00	\$96.00
Tournament, Weekends	\$103.00	\$107.00
Hotel package, Weekdays	\$92.00	\$92.00
Hotel package, Weekends	\$100.00	\$100.00
Nonresident Offseason Weekdays	N/A	\$68.00
Nonresident Offseason Weekends	N/A	\$79.00
Nonresident Super Twilight Weekdays	N/A	\$39.00
Nonresident Super Twilight Weekends	N/A	\$49.00
Tourist Weekdays	N/A	\$125.00
Tourist Weekends	N/A	\$138.00
Tourist Off Season Weekdays	N/A	\$105.00
Tourist Off Season Weekends	N/A	\$118.00
Golden Gate Golf Green Fees		
Category:		
Non Resident - Weekdays	\$13.00	\$13.00
Non Resident - Weekends & Holidays	\$18.00	\$18.00
Resident - Weekdays	\$8.00	\$10.00
Resident - Weekends & Holidays	\$10.00	\$12.00
Senior Resident - Weekdays	\$5.00	\$7.00
Senior Resident - Weekends & Holidays	\$9.00	\$9.00
Junior Resident - Weekdays	\$4.00	\$4.00
Junior Resident - Weekends & Holidays	\$6.00	\$6.00
Twilight - Weekdays	\$7.00	\$7.00
Twilight - Weekends & Holidays	\$8.00	\$8.00
Tournament - Weekdays	\$18.00	\$18.00
Tournament - Weekends & Holidays	\$25.00	\$25.00



City and County of San Francisco
Recreation and Park Department

McLaren Lodge in Golden Gate Park

501 Stanyan Street, San Francisco, CA 94117

TEL: 415.831.2700 FAX: 415.831.2096 WEB: <http://parks.sfgov.org>

MEMORANDUM

To: Luke Klipp

From: Katie Petrucione

Re: Harding/Fleming Fee Increase

Date: September 19, 2005

The Recreation and Park Department manages six golf courses, including three nine hole courses (Fleming, Golden Gate Park and Gleneagles) and three 18 hole courses (Harding Park, Sharp Park and Lincoln Park.) Harding and Fleming occupy adjacent areas and are managed by the department as a single entity.

The 2005-2006 budget includes fee increases at Harding/Fleming and Golden Gate. These increases were approved by the Board of Supervisors and went into effect as of September 1, 2005. The department proposed a fee increase for Gleneagles that was not approved by the Board. The item currently under consideration by the Board was introduced by Supervisor McGoldrick in June during the budget hearings.

The Golf Fund generally receives revenue from five sources: greens fees, resident golf cards, concessions, interest and fund balance. In 2005-2006, Recreation and Park also budgeted \$500,000 in one-time revenue from the Professional Golfers Association (PGA) as a result of hosting the American Express Championship at Harding Park in October. The PGA revenue appears in the same budget subobject as do normal greens fees. Total Golf Fund revenue for 2005-2006 is \$10.9 million.

The original 2004-2005 Golf Fund budget included \$7.7 million in greens fees revenue. Actual greens fees revenues for 2004-2005 were \$6.2 million. Greens fees revenues for 2005-2006 (net of the \$500,000 one-time PGA payment) are budgeted at \$7.6 million. In 2005-2006 the Recreation and Park Department budgeted a modest (\$45,000) increase in Harding/Fleming greens fees revenue as a result of the fee increase. The department left the Gleneagles revenue budget constant and reduced the Golden Gate Park revenue expectation by \$15,000. The department reduced the greens fees revenue budgets for Lincoln and Sharp by a combined amount of nearly \$500,000. The department made this reduction to reflect actual revenue for 2004-2005.

Lincoln and Sharp have both experienced significantly reduced rates of play over the past five years, partly as a result of poor conditions at the courses. Since 2000 the number of rounds played at Lincoln has fallen by 50 percent and the number of rounds played at Sharp has fallen by 38 percent. This decline in play has reduced greens fees revenue, a fact that the department reflected in its 2005-2006 budget.



CHAR	DESCRIPTION	FTE/ %	HARDING/FLEMING	FLE/ %	LINCOLN	FTE/ %	SHARP	%	GOLDEN GATE	FTE/%	McLAREN	FTE	OPERATING	FTE	05-06 Budget
	REVENUE														
	GOLF FEES		4,882,000		1,000,000		1,200,000		650,000				350,000		8,082,000
	Harding		3,597,800												
	Fleming		784,200		1,000,000										
	Lincoln						1,200,000								
	Sharp								650,000				350,000		
	Golden Gate														
	Resident Cards Fees		509,000												
	AMEX Tournament														
	CONCESSIONS		2,075,000		75,000		120,000		350,000		45,000		0		2,665,000
	Harding and Fleming		1,975,000												
	Cart Fees														
	Practice Range														
	Pro Shop														
	Food & beverages				75,000										
	Lincoln						120,000								
	Sharp								350,000						
	Golden Gate										45,000				
	McLaren Park														
	Advanced Reservation Fees		100,000												
	Beginning Fund Balance								0				120,316		120,316
	INTEREST EARNED												10,000		10,000
	REVENUE TOTAL		6,957,000		1,075,000		1,320,000		1,000,000		45,000		480,316		10,877,316
	EXPENDITURE														
	PERMANENT SALARIES	26.25	1,782,990	10.19	572,216	9.58	539,293	2.08	126,069	0.00			131,210	50.10	3,151,777
001	MANDATORY FRINGE BENEFITS		478,800		175,128		164,825		37,222				27,270		883,250
013	OVERHEAD		549,439		176,332		166,187		38,849				537,224		1,468,031
020															
021	PROFESSIONAL & SPECIAL SERVICES		3,066,184		0		108,000		313,100		0		13,500		3,500,784
021	RENT/LEASES EQUIPMENT		280,131										15,976		296,107
021	OTHER CURRENT EXPENSES	46%	6,900	29%	4,350	22%	3,300	3%	450				15,000		15,000
040	MATERIALS & SUPPLIES	46%	250,000	29%	80,780	22%	79,429	3%	10,831				421,041		421,041
060	EQUIPMENT						0								0
081	SERVICES OF OTHER DEPTS.	0.46	0		0		0		0		0		345,494		345,494
06F	FACILITIES MAINTENANCE		0						0				0		0
	Golf Fcgs Maint Fund												0		0
091	REPAYMENT TO OPEN SPACE		544,467												544,467
060	CAPITAL FUND		251,365										0		251,365
	CAPITAL FUND		250,000										0		250,000
	Audit		1,365												1,365
															0
	EXPENDITURE TOTAL		7,210,276		1,008,806		1,061,034		526,526		0		1,070,674		10,877,316

Surplus/Deficit

(253,276)

66,194

258,966

473,474

45,000

(590,388)

0

Item 3 - File 05-1533

Department: Department of Public Health (DPH)
San Francisco General Hospital (SFGH)
Administrative Services – Office of Contract
Administration (OCA)

Item: Resolution authorizing the Director of Public Health and the Director of the Office of Contract Administration to continue a contract between the City and County of San Francisco and Accordis, Inc. to provide retroactive claiming of aged accounts for the period of July 1, 2004 through June 30, 2008.

Contract Period: July 1, 2004 through June 30, 2008¹

**Compensation Schedule
of Contingency Fees
to be Paid to**

Accordis, Inc.: Total fees paid to Accordis, Inc. (Accordis), in FY 2004-2005 were \$245,378. The Contingency Fees payable to Accordis are based on 12 to 25 percent of the revenues recovered by Accordis, as explained in Attachment I, provided by Ms. Valerie Inouye, Community Health Network Chief Financial Officer of the Department of Public Health (DPH).

Description: The proposed resolution authorizes DPH to continue a contract previously awarded by DPH to Accordis, an outside contractor, for the period of July 1, 2004 through June 30, 2008. According to Ms. Inouye, Accordis provides collection services through the identification and billing of aged accounts for monies owed to SFGH for previous services rendered to SFGH patients. The collection services provided by Accordis pertain to those accounts eligible for retroactive recovery, focusing on self-pay, Medi-Cal pending,¹ and pharmacy outpatient accounts.

According to Ms. Inouye, the DPH entered into a four-year contract with Accordis, for the period from July 1, 2004 through June 30, 2008, to assist the SFGH Patient

¹ According to Ms. Diana Guevara, Director of Patient Financial Services for SFGH, "Medi-Cal pending" patients are those patients who are identified by DPH as qualified for Medi-Cal.

Financial Services Department in identifying patients that had outpatient services and are later found to have Medi-Cal coverage. Attachment II is a memorandum from Ms. Inouye which contains additional background information pertaining to this contract with Accordis.

Since the amount of the revenues owed to SFGH and estimated to be recovered by Accordis for services previously provided to SFGH patients is now projected to exceed \$1,000,000, which is payable to SFGH, the DPH is requesting Board of Supervisors approval of the previously awarded contract with Accordis, in accordance with Charter Section 9.118, which states that "contracts entered into by a department having anticipated revenue to the City and County of one million dollars or more, or the modification, amendment or termination of any contract which when entered into had anticipated revenue of one million dollars or more, shall be subject to approval of the Board of Supervisors by resolution." According to Attachment II, the reason that DPH now estimates revenues from the subject contract to exceed \$1,000,000 is that "Accordis has successfully modified its software to accept [DPH's] outpatient pharmacy file of claims and to re-bill any of these accounts that are found to have retroactive Medi-Cal eligibility. In addition, the amounts collected from all other outpatient accounts have been higher than expected."

According to Ms. Diana Guevara, Hospital Associate Administrator with DPH Patient Financial Services, in FY 2004-2005, Accordis recovered \$988,642 in aged accounts under the subject contract, which have since been paid to SFGH. As noted above, under the subject contract, Accordis is paid fees on a contingency basis based on the amount of revenues Accordis recovers on behalf of SFGH. As explained in Attachment I, such fees are based on 12 to 25 percent of the total monies recovered for SFGH. According to Ms. Guevara, in FY 2004-2005 Accordis received \$245,378 in such contingency fees, or 24.8 percent, out of the total of \$988,642 recovered and paid to SFGH.

According to Ms. Inouye, if collections by Accordis on behalf of SFGH continue as anticipated, then DPH

estimates revenues to be generated under this contract to be approximately \$1,000,000 annually, for Fiscal Years 2005-2006, 2006-2007, and 2007-2008, through the contract's expiration on June 30, 2008, for a total additional collection of approximately \$3,000,000 over three years.

According to Ms. Gladys Solivan of the DPH Contracts and Compliance Department, Accordis was awarded the subject contract by DPH through a Request for Proposal (RFP) process in 2004. Ms. Solivan advises that DPH received three proposals in response to the RFP and that Accordis was considered to be the most qualified firm responding to the RFP.

Comment: According to Ms. Inouye, this contract provides for retroactivity because Accordis has already recovered \$988,642, from aged accounts in FY 2004-2005, which has been paid to SFGH.

Recommendation: Approve the proposed resolution.

EXHIBIT B

ACCORDIS, INC.

COMPENSATION SCHEDULE

Claiming of Accounts: CONTRACTOR will be paid on a contingency fee for Claiming of Aged Accounts services as outlined in Statement of Work, Exhibit A

1. For Medicare and Medi-Cal Inpatient accounts the fee shall be up to **fifteen percent (15%)** of the revenue generated, and for Medicare and Medi-Cal Outpatient accounts the fee shall be up to **twenty-five percent (25%)** of the revenue for claim liquidation for referred accounts.
2. For Inpatient Third-Party insurance accounts the fee shall be **fifteen percent (15%)** of the revenue generated at initial project referral and **twelve percent (12%)** for ongoing referral of accounts after the initial referral.
3. For Outpatient Third-Party insurance accounts the fee shall be **twenty-five percent (25%)** of the revenue generated at initial project referral and **eighteen percent (18%)** for ongoing referral of accounts after the initial referral for identification of eligibility and claim liquidation for Third-Party insurance.
4. For Inpatient Other Payers and Self Pay accounts the fee shall be up to **fifteen percent (15%)** of the revenue generated and for Outpatient Other Payers and Self Pay accounts the fee shall be up to **twenty-five percent (25%)** of the revenue for claim liquidation for referred accounts.

City



Post-it® Fax Note	7671	Date	8/20	# of pages	2
To	LUKE KLIPP	From	G. Sullivan		
Co./Dept.		Co.			
Phone #		Phone #	554-2607		
Fax #	252-0461	Fax #			

Attachment II

Department of
Public Health

San Francisco General Hospital
Medical Center

DATE: August 1, 2005

TO: Budget Committee and Members of the Health Commission

THROUGH: Mitchell Katz, M.D.
Director of Health *mk*

THROUGH: Gregg Sass, Chief Financial Officer
Department of Public Health *gs*

THROUGH: Gene O'Connell, Executive Administrator
San Francisco General Hospital

FROM: Valerie Inouye *vi*
CHN Chief Financial Officer

SUBJECT: APPROVAL TO SUBMIT A RESOLUTION TO THE BOARD OF SUPERVISORS TO ACCEPT REVENUES NEWLY ESTIMATED TO EXCEED \$1,000,000 UNDER A CONTRACT WITH ACCORDIS, INC. PREVIOUSLY APPROVED BY THE HEALTH COMMISSION ON JULY 6, 2004

This is a request to approve the attached Resolution to authorize the Department of Public Health (Department), San Francisco General Hospital (SFGH), to accept revenues newly estimated to exceed \$1,000,000 from the retroactive claiming of accounts services provided by Accordis, Inc (Accordis).

The Department entered into a contract with Accordis for the period of July 1, 2004 through June 30, 2008 to assist the SFGH's Patient Financial Services Department to collect additional payments from accounts, focusing on self-pay, Medi-Cal pending, and pharmacy outpatient accounts. The contract provides for Accordis to receive 12 - 25% of the revenues recovered for the Department.

When we initially entered into this contract, we did not expect their recovery amounts to be over \$1,000,000. After we began this contract, Accordis has successfully modified its software to accept our outpatient pharmacy file of claims and to re-bill any of these accounts that are found to have retroactive Medi-Cal eligibility. In addition, the amounts collected from all other outpatient accounts have been higher than expected.

Since the City Charter, Section 9.118 requires approval from the Board of Supervisors for all contracts generating revenues in excess of \$1,000,000, the Department recommends approval of the attached resolution.

Item 4 - File 05-1440

Department: Airport Commission (Airport)

Item: Resolution approving a new equipment maintenance and operating agreement between the City and County of San Francisco, acting by and through its Airport Commission, and the San Francisco Terminal Equipment Company, LLC.

Description: The proposed resolution would approve a new equipment maintenance and operating agreement between the Airport Commission (Airport) and San Francisco Terminal Equipment Company, LLC (SFOTEC),¹ from October 1, 2005 through June 30, 2011, or a period of five years and nine months. According to Ms. Dorothy Schimke of the Airport, the Airport has an existing equipment maintenance and operating agreement with SFOTEC that was approved by the Board of Supervisors in October of 2000 (Resolution No. 00-907), which will expire on September 30, 2005. The existing agreement was for a period of approximately four years and ten months, beginning with the opening of the International Terminal in December of 2000.

Ms. Schimke advises that the purpose of the SFOTEC is to (a) maintain, repair, operate and schedule the use of the City-owned equipment and operating systems at the International Terminal; (b) maintain, operate, and schedule the use of the International Terminal's joint use ticket counters and gates; and (c) allocate the associated costs related to the City-owned equipment and operating systems among the SFOTEC members and non-member users of the equipment.

The City, acting through its Airport, owns certain equipment and operating systems used in connection with the flights arriving and departing from the Airport's International Terminal. The specific existing Airport-owned equipment and operating systems (including

¹ According to Ms. Schimke, SFOTEC is a consortium of 21 airlines with regularly scheduled International operations at the International Terminal. Ms. Schimke advises that a primary advantage of participating in the SFOTEC consortium is the lower cost allocated to each airline for the use of the equipment and operating systems covered by the existing and proposed agreements.

mechanical systems, furnishings and fixtures, and information technology systems), financed from Airport Revenue Bonds, are listed in the Attachment, provided by Ms. Schimke. According to Ms. Schimke, in 1992 and 1996 the Board of Supervisors approved supplemental appropriations for the Airport's Master Plan which included \$100,720,419 to fund the purchase and installation of the equipment and operating systems identified in the Attachment. Ms. Schimke advises that all of the costs for the purchase and installation of the existing equipment and operating systems, as listed in the Attachment, has been amortized and such costs have been fully recovered from a combination of (a) passenger facility charges and (b) SFOTEC payments to the Airport made previously under the existing equipment maintenance and operating agreement between the Airport and SFOTEC. According to Ms. Schimke, the revenues received by the Airport from such passenger facility charges (which are \$4.50 per passenger) and from SFOTEC payments are used to redeem the previously authorized Airport Revenue Bonds.

Term of Agreement

and Extension Option: The proposed new agreement between the Airport and SFOTEC would commence on October 1, 2005 and terminate on June 30, 2011, a period of five years and nine months. Ms. Schimke advises that the proposed new agreement includes a one year extension option, subject to approval of the Airport, from July 1, 2011 through June 30, 2012. Ms. Schimke further advises that this one-year extension would not be subject to further approval by the Board of Supervisors.

**Fees Payable Under
the Agreement by
SFOTEC to the
Airport:**

According to Ms. Schimke, SFOTEC would pay the Airport monthly fees to fully recover the Airport's costs for utilities, information technology (IT) systems, and custodial costs associated with the maintenance and operating costs of the equipment, operating systems and appurtenant space, as listed in the Attachment. Ms. Schimke advises that such fees for the operating and maintenance costs totaled \$2,323,491 in FY 2004-2005, or

approximately \$193,624 per month paid by SFOTEC to the Airport under the existing agreement.

Ms. Schimke advises that SFOTEC allocates all of the costs payable to the Airport under the subject agreement to its 21 members and non-member airline users² for the operating and maintenance costs of the International Terminal equipment and operating systems, including associated utilities, IT systems, and custodial costs, in accordance with the terms of the SFOTEC Member Agreement. The SFOTEC Member Agreement, which as noted above includes 21 airlines with regularly scheduled International operations at the International Terminal, is separate and distinct from the subject proposed International Terminal equipment maintenance and operating agreement between the Airport and SFOTEC. Such SFOTEC Member Agreement between the airline members is not subject to Board of Supervisors approval.

**SFOTEC Allocation
of Costs to SFOTEC
Member Airlines and**

Non-Member Airlines: According to Ms. Schimke, airlines operating out of the International Terminal which are not a part of the SFOTEC Member Agreement are also charged fees by SFOTEC to assist in the payment of the Airport's maintenance and operating costs for use of the equipment, and related utilities, IT systems, and custodial costs to be included under the subject proposed new agreement. Once non-member airline users' fees have been paid to SFOTEC, the total net facility charges are allocated by SFOTEC to its member airlines on the basis that:

- 10 percent of the payments are based upon equal per capita sharing among all 21 SFOTEC members;
- 45 percent of the payments are based upon each SFOTEC member's number of flights; and
- 45 percent of the payments are based upon each SFOTEC member's number of passengers arriving at and departing from the International Terminal.

² According to the proposed new agreement between the Airport and SFOTEC, a "non-member user" is defined as "an Air Carrier that has executed an Equipment Use Agreement," and an "Equipment Use Agreement" is defined as "the agreement between SFOTEC and any Air Carrier other than a [SFOTEC] member desirous of using the Equipment."

According to Ms. Schimke, rates for payments made by non-member airlines are determined on an annual basis by SFOTEC. Ms. Schimke states that, since the passenger facility charges and the SFOTEC payments to the Airport are intended to fully recover the Airport's maintenance and operating costs of Airport-owned equipment and operating systems, the charges to be paid by SFOTEC to the Airport could increase based on the amortized lifetime costs of any new equipment and operating systems purchased over the term of the proposed new agreement, as well as for related increases in maintenance and operating costs.

Comment:

Ms. Schimke advises that, in accordance with provisions of the existing agreement with SFOTEC, which expires on September 30, 2005, the existing agreement will be held over on a month-to-month basis, pending approval by the Board of Supervisors of the proposed new agreement between the Airport and SFOTEC.

Recommendation:

Approve the proposed resolution.

Mechanical Systems

1. **AIRCRAFT GUIDANCE / DOCKING SYSTEMS.** Twenty-One (21) units; one at each active gate.
2. **BAGGAGE HANDLING SYSTEM** (excluding federally-owned security screening equipment).
3. **BAGGAGE CLAIM CAROUSELS.** Twelve (12) devices.
4. **BAGGAGE MAKEUP CAROUSELS.** Seventeen (17) devices.
5. **BAGGAGE HANDLING AREA LIGHTING**, including overhead lighting in the shoulder building baggage handling areas and the baggage makeup areas, but excluding public baggage claim areas.
6. **PASSENGER LOADING BRIDGES.** Forty (40) passenger loading bridges (16 on Boarding Area A and 24 on Boarding Area G).
7. **PRECONDITIONED AIR HOSES, REELS AND CARTS.** Forty (40) hoses with aircraft connectors, Twenty-One (21) carts and Forty (40) reels, located at 21 gates.
8. **400 Hz GROUND POWER.** Twenty-three (23) 400 Hz GPU units (Sixteen 140 KVA; Seven 90 KVA) located at the gates, and six (6) 312-Amp converter units (three each on Boarding Areas A and G).
9. **POTABLE WATER SYSTEMS.** Twenty-One (21) stainless steel cabinets, each containing one hose, one reel, lighting, plumbing and a water filter.

Furnishings and Fixtures

1. **COUNTERS FOR AIRLINE USE**
 - a. One Hundred Sixty-Eight (168) ticket counters with scales, in International Terminal, Level 3
 - b. Twenty-Seven (27) recheck counters with scales, in International Terminal, Level 2
 - c. Twelve (12) tour check counters with scales, in International Terminal, Level 1

- d. One Hundred Forty-Four (144) gate podiums (12 at each gateroom, or 72 on each boarding area)
 - e. Two (2) airline information counters in federal inspection (FIS) area
- 2. **TICKET COUNTER SCALES.** Two Hundred Seven (207) scales (one at each ticket counter)
 - 3. **PNEUMATIC TUBE SYSTEM**
 - 4. **GATEROOM SEATING.** Ganged seating consisting of Six Thousand, Twenty-Eight (6,028) seats and Two Hundred Forty-Five (245) tables located in gaterooms and transit lounges on both boarding areas and the International Terminal

Information Technology Systems

CUTE/MUSE SYSTEM, hardware and software, including

- 1. **MUFIDS (MULTI USER FLIGHT INFORMATION DISPLAY SYSTEM).**
- 2. **DYNAMIC AIRLINE IDENTIFICATION SIGNAGE.**
- 3. **MUBIDS (MULTI USER BAGGAGE INFORMATION DISPLAY SYSTEM).**
- 4. **RESOURCE MANAGEMENT,** including baggage system management, gate management and check-in counter allocation.

Item 5 – File 05-1530

Department: Airport

Item: Resolution approving the Controller's certification that Airport Public Parking Facility Management Services for the San Francisco International Airport can continue to be practically performed by a private contractor at a lower cost than by City and County employees.

Services to be Performed: Airport Public Parking Facility Management Services

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services that could be performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for the Airport's public parking facility management services for FY 2005-2006 would result in estimated savings as follows:

	<u>Lowest</u>	<u>Highest</u>
<u>City-Operated Service Costs</u>	<u>Salary Step</u>	<u>Salary Step</u>
Management & Operations	\$8,245,176	\$9,540,300
Security Services	2,241,600	2,650,893
Janitorial Services	<u>1,204,847</u>	<u>1,419,820</u>
Total	\$11,691,623	\$13,611,013
<u>Estimated Total</u>		
<u>Contractual Services Cost</u>	<u>11,852,077¹</u>	<u>11,865,948¹</u>
<u>Estimated Savings</u>	<u>(\$160,454)</u>	<u>\$1,745,065</u>

Comments: 1. According to Mr. Noel Pinto of the Airport, public parking facility management services are currently provided at the Airport's four public parking facilities by

¹ According to Mr. Tom DiSanto of the Controller's Office, the difference in the Contractual Services Cost is due to contract monitoring work performed by City employees at the lowest and highest salary steps.

AMPCO, under a one-year contract with four one-year options. According to Mr. Pinto, such services include day-to-day operations and management, including accounting and audit functions, staffing, cashiering, customer services, equipment maintenance, as well as providing janitorial and security services for the Airport's four public parking facilities.

2. Mr. Pinto advises that the initial contract period with AMPCO began on January 3, 2002 and extended for one year until January 2, 2003. Under the provisions of the current contract with AMPCO, the Airport and AMPCO exercised the third of four one-year options to extend the contract until January 2, 2006. Mr. Pinto states that the Airport plans to exercise a month-to-month option extension as of January 3, 2006 through June 30, 2006.

3. Mr. Pinto reports that public parking facility management services at the Airport were first certified as required by Proposition J (Charter Section 10.104.15) in FY 1980-1981 and have been continuously provided by an outside contractor since that time. Mr. Pinto advises that public parking facility management services have been contracted out separately from employee parking management services since FY 1999-2000.

4. The Contractual Services Costs used for the purpose of this analysis are based on the Airport's estimate of the Fiscal Year 2005-2006 contractual costs of AMPCO for public parking facility management services. According to Mr. Pinto, the FY 2005-2006 Contractual Services Cost of \$14,182,004 is approximately \$1,441,774 or 11.3 percent more than the FY 2004-2005 Contractual Services Cost of \$12,740,230. Mr. Pinto explains that the increase is a result of an increase in salaries and benefits in accordance with labor-negotiated agreements. Additionally, Mr. Pinto states that the total service hours have been increased because additional cashiers were needed to accommodate increased usage of the Airport's long-term public parking facilities.

5. The Budget Analyst notes that the Airport's estimate of the FY 2005-2006 contract cost of \$14,182,004 is \$2,316,056 in excess of the Controller's estimate of the FY

Memo to the Budget and Finance Committee
September 29, 2005 Budget and Finance Committee Meeting

2005-2006 contract cost of \$11,865,948 at the highest step. According to Mr. DiSanto, "Both the City and contract cost estimates do not include estimated operating costs of \$2,316,056 that are assumed to be the same under either scenario. This does not affect the estimated cost savings."

6. According to Mr. DiSanto, the Controller's FY 2005-2006 budget instructions directed departments to include their Proposition J data, together with their FY 2005-2006 budget request. Mr. Pinto explains that although the Airport did submit the subject required Proposition J legislation during the FY 2005-2006 budget process, delays in submitting additional information, as required by the Controller's Office, resulted in the Department missing the final deadline.

7. The Controller's supplemental questionnaire, with the Department's responses, is included in the Attachment to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
 Contract Services: Public Automobile Parking
 Contract Period: July 1, 2005 to June 30, 2006

1. Who performed the activity/service prior to contracting out?
 This service has always been contracted out and has never been performed by City personnel.
2. How many City employees were laid off as a result of contracting out?
 None
3. Explain the disposition of employees if they were not laid off.
 N/A
4. What percentage of City employees' time is spent on services to be contracted out?
 N/A
5. How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
 Services have been contracted out since October 16, 1971. It is likely to be an on-going request to contract out.
6. What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
 This contract was first certified in Fiscal Year 1980/81. The contract has been certified for each subsequent Fiscal year.
7. How will the services meet the goals of your MBE/WBE Action Plan?
 The contractor has voluntarily met the City's DBE goals.
8. Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
 The contract requires that the contractor provide health insurance benefits to its employees.
9. Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?
 The contractor is in compliance with the Domestic Partners Ordinance.
10. Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?
 The contractor does comply with the provisions of the Minimum Compensation Ordinance.

Department Representative: Noel Pinto, Manager, Airport Parking Operations

Telephone Number: (650) 821-4051

Item 6 – File 05-1531

Department: Airport

Item: Resolution approving the Controller's certification that Employee Parking Management Services for San Francisco International Airport can continue to be practically performed by private contractor at a lower cost than by City and County employees.

Services to be Performed: Employee Parking Management Services

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services that could be performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for the Airport's employee parking management services for FY 2005-2006 would result in estimated savings as follows:

	Lowest Salary Step	Highest Salary Step
<u>City-Operated Service Costs</u>		
Salaries	\$1,616,282	\$1,960,607
Fringe Benefits	<u>602,776</u>	<u>662,124</u>
Total	\$2,219,058	\$2,622,731
<u>Estimated Total</u>		
<u>Contractual Services Cost</u>	<u>1,444.916¹</u>	<u>1,448.622¹</u>
<u>Estimated Savings</u>	<u>\$774.142</u>	<u>\$1,174.109</u>

Comments: 1. According to Mr. Noel Pinto of the Airport, employee parking management services include the operation and management of employee parking facilities at the Airport, including security guard and janitorial services. Mr.

¹ According to Mr. Tom DiSanto of the Controller's Office, the difference in the Contractual Services Cost is due to contract monitoring work performed by City employees at the lowest and highest salary steps.

Pinto advises that employee parking management services serve employees of the Airport, airlines and other firms conducting business at the Airport, and are currently provided by Pacific Park Management under a one-year contract with four one-year options.

2. Mr. Pinto advises that the initial contract period with Pacific Park Management began on January 3, 2002 and extended for one year until January 2, 2003. Under the provisions of the contract with Pacific Park Management, the Airport and Pacific Park Management exercised the third of four one-year options to extend the contract until January 2, 2006. Mr. Pinto states that the Airport plans to exercise a month-to-month option extension as of January 3, 2006 through June 30, 2006.

3. Mr. Pinto reports that employee parking management services at the Airport were first certified as required by Proposition J (Charter Section 10.104.15) in FY 1980-1981 and have been continuously provided by an outside contractor since that time. Mr. Pinto advises that employee parking management services have been contracted out separately from public parking facility management services since FY 1999-2000.

4. The Contractual Services Costs used for the purpose of this analysis are based on the Airport's estimate of the Fiscal Year 2005-2006 contractual costs of Pacific Park Management for employee parking management services. According to Mr. Pinto, the FY 2005-2006 Contractual Services Cost of \$1,631,744 is approximately \$191,321 or 13.3 percent more than the FY 2004-2005 Contractual Services Cost of \$1,440,423. Mr. Pinto explains that the increase is due to a cost of living adjustment as negotiated in the contract. Additionally, Mr. Pinto states, "the contractor's responsibilities have increased, whereby, the contractor is managing the employee parking quarterly permit renewal process as well as the maintenance of the employee parking access control system, which was previously done in-house." According to Mr. Pinto, as a result of the Airport's decreased responsibilities, Airport staff was reduced by 1.0 FTE.

5. The Budget Analyst notes the Airport's estimate of the FY 2005-2006 contract cost of \$1,631,744 is \$183,122 in excess of the Controller's estimate of the FY 2005-2006 contract cost of \$1,448,622 at the highest step. According to Mr. DiSanto, "Both the City and contract cost estimates do not include estimated operating costs of \$183,122 that are assumed to be the same under either scenario. This does not affect the estimated cost savings."

6. According to Mr. DiSanto, the Controller's FY 2005-2006 budget instructions directed departments to include their Proposition J data, together with their FY 2005-2006 budget request. Mr. Pinto explains that although the Airport did submit the subject required Proposition J legislation during the FY 2005-2006 budget process, delays in submitting additional information, as required by the Controller's Office, resulted in the Department missing the final deadline.

7. Mr. Pinto advises that the total number of parking spaces for employees at the Airport is 5,299. Mr. Pinto has advised that an employee parking facility, located at the far North edge of the Airport, consisting of 3,200 spaces, has been closed since March 1, 2005. However, Mr. Pinto states that only 55 percent of the 3,200 spaces were being utilized. According to Mr. Pinto, "the closure of the employee garage, for maintenance and renovation purposes, did not result in any cost reduction in contract costs because per the agreement, the contractor continues to provide the same level of service at the new location where the employees are currently housed. The services provided are security guard services, along with custodial services. The levels of these individual services are being currently maintained at the new employee parking location."

8. The Controller's supplemental questionnaire, with the Department's responses, is included in the Attachment to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
Contract Services: Employee Automobile Parking
Contract Period: July 1, 2005 to June 30, 2006

1. **Who performed the activity/service prior to contracting out?**
This service has always been contracted out and has never been performed by City personnel.
2. **How many City employees were laid off as a result of contracting out?**
None
3. **Explain the disposition of employees if they were not laid off.**
N/A
4. **What percentage of City employees' time is spent on services to be contracted out?**
N/A
5. **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**
Services have been contracted out since 1971. However, the Employee Parking Facility Management services have been separated from the Public Parking Facility Management services contract since fiscal year 1999/2000. It is likely to be an on-going request to contract out.
6. **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**
The Employee Parking Facility Management services contract was first in Fiscal Year 1999/2000. The contract has been certified for each subsequent Fiscal Year.
7. **How will the services meet the goals of your MBE/WBE Action Plan?**
The contractor has voluntarily met the City's DBE goals.
8. **Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?**
The contract requires that the contractor provide health insurance benefits to its employees.
9. **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?**
The contractor is in compliance with the Domestic Partners Ordinance.
10. **Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?**
The contractor complies with the provisions of the Minimum Compensation Ordinance.

Department Representative: , Noel Pinto, Manager, Airport Parking Operations

Telephone Number: (650) 821-4051

Item 7 - File 05-0922

Note: This report reflects an Amendment of the Whole, which the sponsor of the proposed ordinance intends to introduce at the September 29, 2005 Budget and Finance Committee Meeting.

- Departments:** Department of the Environment
Tax Collector, Treasurer's Office
Assessor-Recorder
Controller
- Item:** Ordinance amending the Payroll Expense Tax Ordinance to establish Payroll Tax exclusions for qualified clean energy technology businesses.
- Description:** Currently, businesses in San Francisco pay Payroll Expense Taxes to the City of 1.5 percent of the firm's payroll expenses incurred in San Francisco. Under the proposed ordinance, qualifying clean energy technology businesses would be permitted to exclude the payroll expenses for those employees who perform substantially all of their work or services in support of clean energy technology efforts, when calculating the amount of annual Payroll Tax liability that otherwise would be owed to the City. The proposed ordinance would apply to any clean energy technology business, in which (a) at least 75 percent of all business activities during the tax year are directly related to clean energy technology and (b) a minimum of ten to a maximum of 100 full-time staff are employed.
- In accordance with the proposed ordinance, outside independent contractors retained by clean energy technology businesses would not be considered employees of such clean energy technology businesses for purposes of qualifying for this exclusion.
- Clean energy technology is defined in the proposed ordinance as the development, manufacture or application of scientific advances that produce or contribute to the production of clean energy using energy produced by wind, solar, landfill gas, geothermal resources, ocean thermal conversion, quantifiable conservation measures, tidal, wave, biomass, biofuels or hydrogen fuels derived

from renewable sources. The proposed ordinance specifies that clean energy technology does not include (1) the installation of clean energy technologies, (2) any fossil fuel based energy production, including but not limited to clean coal, clean diesel, natural gas and hydrogen from natural gas, (3) any nuclear based energy production, (4) waste to energy via combustion or incineration, or (5) other technologies that are detrimental to human health.

In order to be eligible for this proposed Payroll Tax exclusion, the subject ordinance specifies that each clean energy technology business would be required to complete and submit an initial application to the Director of the Department of the Environment for review and evaluation. If the initial application is approved by the Director of the Department of the Environment, the Director would issue a certificate of eligibility to the business, with such decision being final. To continue to claim the annual Payroll Tax exclusions, each clean energy technology business would be required to file an annual affidavit with the Department of the Environment by January 31 of each subsequent year affirming that the business continues to meet the eligibility criteria (See Comment No. 3).

The clean energy technology businesses would be required to (a) maintain records that track how individual employees who qualify for the Payroll Tax exclusion spend their time at work, and to provide such records to the Tax Collector's Office, if requested, and (b) file annual Payroll Expense Tax Returns with the Tax Collector's Office, regardless of the amount of Payroll Tax liability, even if no Payroll Taxes are due to the City.

In accordance with the proposed ordinance, by March 1 of each year the Department of the Environment would be required to provide the Tax Collector with a list of businesses eligible to claim the Payroll Tax exclusion. The Tax Collector would grant or deny the Payroll Tax exclusion based on the Department of the Environment's determination and, at the Tax Collector's option, a review of the records required to be maintained by the clean energy technology business. The proposed ordinance also provides that the Director of the Department of the

Environment, after a public hearing, would be responsible for adopting or amending rules, regulations and forms regarding the subject application process and eligibility.

The Tax Collector would be required to submit an annual report to the Board of Supervisors identifying the (a) total number of businesses qualifying for the Payroll Tax exclusion, (b) change in the number of qualifying clean energy technology businesses, (c) dollar value of the amount of clean energy technology Payroll Tax exclusions provided, and (d) any increase or decrease in the number of jobs in the clean energy technology business sector from the prior calendar year (See Comment No. 2).

The Assessor-Recorder would be required to prepare and submit an annual report to the Board of Supervisors identifying any increases in Property Taxes that results from clean energy technology businesses locating, relocating and/or expanding operations in the City (See Comment No. 4).

The effective date of the proposed ordinance is January 1, 2006. The proposed Payroll Tax exclusion would be available for each clean energy technology business for a maximum period of ten years, beginning with the effective date of the proposed ordinance or the commencement of the clean energy technology business in the City, whichever is later. The proposed Payroll Tax exclusion for all clean energy technology businesses would expire 15 years after the effective date of this ordinance, or on January 1, 2021.

The Controller, after January 1, 2011, would be required to prepare and submit to the Board of Supervisors a five-year assessment of the effects of the clean energy technology Payroll Tax exclusion (See Comment No. 5).

Comments:

1. The proposed ordinance is similar to the Payroll Tax exclusion ordinance for biotechnology businesses that was previously approved by the Board of Supervisors in June of 2004 (File 04-0592). The Budget Analyst notes that the Board of Supervisors amended the biotechnology Payroll Tax exclusion ordinance to limit the effective period from 15 years to ten years, and to limit the Payroll Tax

exclusion for individual eligible businesses from ten years to seven and one-half years,

Mr. George Putris, the Tax Collector, advises that the biotechnology Payroll Tax exclusion became effective on September 12, 2004. One biotechnology business applied and qualified for an \$815 Payroll Tax exclusion for the 2004 Tax Year. In previously reporting on the exclusion for biotechnology businesses, based on data submitted by Mr. Putris, the Budget Analyst estimated that 11 businesses could qualify for this biotechnology Payroll Tax exclusion, which would result in an estimated annual reduction of \$55,442 to the City's General Fund revenues, or a reduction in revenues of approximately \$554,420 over the ten-year period that the ordinance would be effective.

2. Mr. Putris advises that the additional Treasurer and Tax Collector responsibilities that would be required under the proposed ordinance could be absorbed in the Treasurer's existing budget.

3. Mr. Jared Blumenfeld of the Department of the Environment advised that the Department of the Environment could also absorb the required additional administrative responsibilities within their existing budget.

4. Ms. Donna Kotake of the Assessor's Office advises that the Assessor's Office can also absorb the additional responsibilities required by the proposed ordinance within their existing budget, to prepare an annual report for the Board of Supervisors on any increases in Property Taxes that result from clean energy technology businesses. However, based on inquiries from the Budget Analyst's Office, Ms. Kotake notes that such increases in Property Taxes may not be able to be identified as being directly attributable to the proposed Payroll Tax exclusion.

5. Ms. Monique Zmuda of the Controller's Office advises that the Controller's Office can also absorb the costs of conducting a five-year assessment of the impacts of the proposed ordinance. However, Ms. Zmuda states that the value of the Controller's assessment would be determined by the availability and accuracy of the data that the

Controller is able to collect. Furthermore, Ms. Zmuda is concerned about the ability to specifically relate such data to the proposed Payroll Tax exclusion.

6. According to Ms. Jennifer Entine Matz of the Office of Economic and Workforce Development, based on a review of businesses currently registered with the City's Tax Collector's Office, an estimated 14 businesses may be eligible for the proposed clean energy Payroll Tax exclusion. Ms. Matz advises that these 14 businesses paid a total of \$32,096 in Payroll Taxes to the City in 2004. Assuming all of these businesses were eligible to exclude all of these Payroll Taxes over the ten-year qualifying period under this proposed ordinance, the City would forego General Fund revenues of approximately \$320,960.

The Attachment, provided by Ms. Entine Matz, highlights some of the recent economic development trends in the clean energy technology field, based on an October, 2004 report prepared by Clean Edge, Inc. for the Department of the Environment and for the Mayor's Office of Economic and Workforce Development. This Attachment indicates that clean energy technology jobs and businesses are growing at an increasing rate, particularly in California. However, neither the referenced October, 2004 report nor the Office of Economic and Workforce Development could specifically quantify the benefits to San Francisco that would result, if the proposed ordinance, granting a Payroll Tax exclusion for clean energy technology businesses, is approved.

7. As noted above, the proposed ordinance would be in effect for 15 years. As a result, new businesses could start-up their clean energy technology operations in San Francisco and existing businesses could relocate or expand their clean energy technology businesses in San Francisco, and still qualify for up to a ten-year Payroll Tax exclusion. Based on discussions with representatives from the Office of Economic and Workforce Development, the Tax Collector's Office, the Controller's Office and the Department of the Environment, specific data is not available which would enable the Budget Analyst to project the number of potential new businesses that may be attracted to San Francisco directly as a result of

Memo to Budget and Finance Committee
September 29, 2005 Budget and Finance Committee Meeting

granting the proposed Payroll Tax exclusion. Further, it is possible that other business factors are the reason that clean energy technology businesses relocate to San Francisco, regardless of whether this proposed Payroll Tax exclusion were granted. Therefore, it would be difficult to estimate the total potential amount of General Fund revenues that the City would forego, over the next 15 years, as a result of the proposed clean energy Payroll Tax exclusion.

Recommendation:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Mirkarimi
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Daly
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Sandoval
Clerk of the Board
Controller
Noelle Simmons
Ted Lakey
Cheryl Adams

ECONOMIC AND WORKFORCE DEVELOPMENT
JESSE BLOUT, DIRECTOR



CITY AND COUNTY OF SAN FRANCISCO
GAVIN NEWSOM, MAYOR

MEMORANDUM

To: Debra Newman

From: Jennifer Entine Matz

Date: September 22, 2005

Re: Economic Development Trends in the Clean Technology Industry

-
- According to a 2004 report by Environmental Entrepreneurs and the Natural Resources Defense Council, venture capital investments in California's clean technology industry through 2010 could seed 52,000 to 114,000 new jobs statewide.
 - In 2003, clean technology investments reached a record 6.2% of all venture capital investments, totaling more than \$1.2 billion.
 - Of that, California-based companies received 29% of all venture capital investment in clean technology, some \$348 million.
 - The three fastest-growing clean-energy technologies – wind, solar, and fuel cells – are projected to expand from \$12.9 billion in revenue in 2003 to more than \$90 billion by 2013.
 - Solar and wind power generation capacity each have grown by an average of more than 30% annually over the past five years.
 - California has led the way domestically, representing more than half of all new U.S. solar installations.
 - Clean transportation – including clean vehicles, along with the fueling infrastructure that goes with them – represents another large and fast-growing market. According to J.D. Power & Associates, global hybrid electric vehicle sales will reach 500,000 annually by 2008.
 - Clean-energy technologies are declining in cost as the capital investments to install turbines and solar photovoltaic modules decrease. In many regions, wind is now cost competitive with traditional sources of energy and solar power is competitive for peak energy applications.

- In the Bay Area, the clean energy industry has become a major growth opportunity. Research shows that the number of companies, events, nonprofits, and service organizations working in the clean energy sector have expanded considerably in the past five years. Of the nearly 100 clean technology organizations surveyed by Clean Edge Inc. in 2004, more than 35 were formed, or entered the clean-tech arena, since 2000.

Source: Clean Edge Inc., *Harnessing San Francisco's Clean-Tech Future*, October 2004.



City and County of San Francisco

Meeting Agenda

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

Clerk: Gail Johnson

Thursday, October 06, 2005

1:00 PM

Legislative Chamber, Room 250, City Hall

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation
- 2) Budget Analyst report
- 3) Legislative Analyst report
- 4) Department or Agency cover letter and/or report
- 5) Public correspondence

These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

DOCUMENTS DEPT.

OCT - 4 2005

REGULAR AGENDA

SAN FRANCISCO
PUBLIC LIBRARY

10-04-05A10-10 RC70

1. 050644 [Recreation and Park - S.F. Small Craft Harbor Fiscal Feasibility] Supervisor Alioto-Pier

Resolution adopting findings that the San Francisco Small Craft Harbor project is fiscally feasible and responsible under Administrative Code Chapter 29.

4/12/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

6/9/05, CONTINUED. Heard in Committee. Speakers: Rob Black, Legislative Aide to Supervisor Alioto-Pier; Joan Girardot, Marina Civic Improvement Association; Alan Silverman, Marina Civic Improvement Association.
Continued to June 16, 2005.

6/16/05, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Supervisor Alioto-Pier; Katie Petruccione, Recreation and Park Department; Brad Gross, Harbor Master; Alan Silverman, Marina Civic Improvement Association; John Rizzo, Chair, Sierra Club, San Francisco Bay Chapter; Rene Monchartre, President, San Francisco Marina Harbor Tenants Association; Sue Chang; Melody Lacy, President, Bay Area Association of Disabled Sailors, San Francisco Marina Harbor Tenants Association; Denis Belfortie, Recreation and Park Department; Kevin Boden; Kevin Howard; Tom Hammond; Joan Girardot, Marina Civic Improvement Association; Joe Boss; Emeric Kalman; Cheryl Adams, Deputy City Attorney.

2. 051297 [Accept-Expend Corporate Grant - Department of the Environment]
 Supervisor Ma
 Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$61,223.20 from Air Products and Chemicals, Incorporated (Inc.) for completion of site work for a hydrogen fueling station.
- 7/12/05, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.
 7/19/05, REFERRED to Budget and Finance Committee. Supervisor Daly requested that this matter be referred to Committee.
3. 051609 [Mortgage Credit Certificates]
 Supervisor Ma
 Resolution authorizing an application to the California Debt Limit Allocation Committee to permit the issuance of Mortgage Credit Certificates.
- 9/20/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. Sponsor requests this item be scheduled for consideration at the September 29, 2005 meeting.

The Chair intends to entertain a motion to continue consideration of the following item.
File 051460, to October 13, 2005:

4. 051460 [Subdivision Code fees]
 Supervisor Dufty
 Ordinance amending the Subdivision Code section 1315 to adopt new fees for air space maps, lot subdivisions, condominium conversions, parcel maps, lot merger and resubdivision maps, amended maps, lot line adjustments, lot mergers, certificates of compliance, certificates of correction, records of survey, and other mapping actions and to provide for an annual adjustment of such fees based on the relevant consumer price index; and making environmental findings.
- (Fiscal impact.)
- 8/16/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
 9/27/05, SUBSTITUTED. Supervisor Dufty submitted a substitute ordinance bearing new title.
 9/27/05, ASSIGNED to Budget and Finance Committee.

**The Chair intends to entertain a motion to continue consideration of the following item.
File 051461, to October 13, 2005:**

5. 051461 [Survey Monument Preservation Fee and Fund]

Supervisor Dufty

Ordinance amending the San Francisco Administrative Code by adding Section 8.24-6, to authorize the imposition of a \$10 grant deed recordation user fee and by adding Section 10.100-50, to create the County Surveyor's Survey Monument Preservation Fund for the deposit and collection of the fee for use by the County Surveyor for the retracement or remonument survey of major historical vertical or horizontal land division lines; amending the San Francisco Subdivision Code by adding Section 1340.1, to authorize the County Surveyor to use the proceeds collected from imposition of the fee to pay for the retracement or remonument survey of major historical vertical or horizontal land division lines; and making environmental findings.

(Fiscal impact.)

8/16/05, ASSIGNED UNDER 30 DAY RULE to Budget and Finance Committee, expires on 9/15/2005.

6. 050883 [Designating a sole source contractor for the art elements of the 24th and York Mini Park]

Supervisor Ammiano

Ordinance designating Precita Eyes Muralists as the sole source contractor for the art elements of the 24th and York Mini Park and waiving the competitive procurement requirements of San Francisco Administrative Code Chapter 6 for these services.

5/17/05, RECEIVED AND ASSIGNED to City Operations and Neighborhood Services Committee.

8/26/05, TRANSFERRED to Budget and Finance Committee.

7. 050916 [Policy and Program Recommendations for Community Choice Aggregation Implementation Plan]

Supervisors Ammiano, Mirkarimi

Resolution submitting Policy and Program Recommendations for a Community Choice Aggregation (CCA) Implementation Plan and approving a CCA Implementation Plan (IP).

(Fiscal impact.)

5/24/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

9/15/05, AMENDED. Heard in Committee. Speakers: Bruce Wolfe, Community Choice Energy Alliance; Bruce Osterweil, Sierra Club; Nancy; Elise Hilg; Don Eichelberger; Ron Dicks, Interim Chair, CCA Task Force; Jane Morrison, Democratic Central Committee and San Francisco Tomorrow; David Shonbrun, Bay Area Clean Air Task Force; Maurice Campbell, Community First Coalition; Ivel Miash; Linda Kramer; Cathleen Sullivan, San Francisco Bay Chapter of the Sierra Club, Dwight Cocke, TURN; Stekie Evans; Dr. Ahimsa Porter Simchai; Steven Notesell; Tess Wilbom, Haight-Ashbury Neighborhood Council; Eric Brooks, Coordinator, Our City; Barry Hermanson; Irene Dick Endrisi; Mary Go; Samantha Evans, Greenpeace; Paul Fenn; Barbara Hale, Assistant General Manager for Power, San Francisco Public Utilities Commission.

Amended by combining the resolution contained in File 051417 herewith.

Continued to October 6, 2005.

9/15/05, CONTINUED AS AMENDED.

8. 051250 [Medical cannabis guidelines and medical cannabis dispensary zoning and permitting]

Supervisor Mirkarimi

Ordinance amending the San Francisco Planning Code by amending Sections 209.3, 217, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 810, 811, 812, 813, 814, 815, 816, 817, and 818, and by adding Sections 790.141, and 890.131, to: define medical cannabis dispensaries; prohibit dispensaries in residential-house and residential-mixed zoning districts; permit dispensaries elsewhere subject to restrictions based on a dispensary's proximity to schools, community centers, and facilities providing substance abuse services that are licensed or certified by the State of California or funded by the Department of Public Health; require adequate ventilation in dispensaries; prohibit the sale or distribution of alcohol at dispensaries; require Planning Department notice to interested individuals and properties within 300 feet of proposed dispensaries; require dispensaries operating as of April 1, 2005 to obtain a permit within 18 months of the effective date of this legislation or must cease operations; require dispensaries beginning operation after April 1, 2005 but before the effective date of this legislation to cease operations; require a notice that permits for dispensaries are not intended to and do not authorize the violation of State or Federal law; and make environmental findings and findings of consistency with the priority policies of Planning Code Section 101.1 and the General Plan;

Amending the San Francisco Health Code by adding Sections 3200 through 3220, to: set medical cannabis possession guidelines; require a permit, business license, and business registration certificate for a medical cannabis dispensary; set out the application process for a medical cannabis permit; set out operating requirements for medical cannabis dispensaries; and set out the administrative process for imposing penalties and/or permit suspension or revocation for violations;

Amending the San Francisco Traffic Code by amending Sections 53 and 132, to create an infraction for double parking in front of a medical cannabis dispensary and set the fine at \$100; and,

Amending the San Francisco Business and Tax Regulations Code by amending Section 1, and by adding Sections 1.177 and 249.17, to authorize the Department of Health to issue medical cannabis dispensary permits and to set out the license fees for medical cannabis dispensaries.

6/28/05, ASSIGNED UNDER 30 DAY RULE to Land Use Committee, expires on 7/28/2005.

7/8/05, REFERRED TO DEPARTMENT. Referred to Planning Department for review and comment.

8/30/05, RESPONSE RECEIVED. Planning Department Certificate of Determination of exemption/exclusion from environmental review.

9/7/05, TRANSFERRED to Budget and Finance Committee.

9/19/05, RESPONSE RECEIVED. Planning Commission Resolution No. 17103 with recommendation that Board adopt proposed ordinance with modifications and Planning Department executive summary.

9/27/05, SUBSTITUTED. Supervisor Mirkarimi submitted a substitute ordinance bearing new title.

9/27/05, ASSIGNED to Budget and Finance Committee.

9. 051455 [Medical cannabis guidelines and medical cannabis dispensary zoning and permitting]**Supervisor Elsbernd**

Ordinance amending the San Francisco Planning Code by amending Sections 209.3, 217, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 810, 811, 812, 813, 814, 815, 816, 817, and 818, and by adding Sections 790.141, and 890.131, to: define medical cannabis dispensaries; prohibit dispensaries in residential-house and residential-mixed zoning districts; permit dispensaries elsewhere subject to restrictions based on a dispensary's proximity to other dispensaries, schools, community centers and institutions for the treatment of addictive diseases; require adequate ventilation in dispensaries; prohibit the sale or distribution of alcohol at dispensaries; require Planning Department notice to interested individuals and properties within 300 feet of proposed dispensaries; require dispensaries operating before April 1, 2005 to obtain a permit within 18 months of the effective date of this legislation or cease operation; require a notice that permits for dispensaries are not intended to and do not authorize the violation of State or Federal law; and make environmental findings and findings of consistency with the priority policies of Planning Code Section 101.1 and the General Plan;

Amending the San Francisco Health Code by adding Sections 3200 through 3220, to: set medical marijuana possession guidelines; require a permit, business license, and business registration certificate for a medical cannabis dispensary; set out the application process for a medical cannabis permit; limit the time period for submitting applications for medical cannabis dispensary permits; require an annual report from the Director of Public Health to the Board of Supervisors; set out operating requirements for medical cannabis dispensaries; and set out the administrative process for imposing penalties and/or permit suspension or revocation for violations;

Amending the San Francisco Traffic Code by amending Sections 53 and 132, to create an infraction for double parking in front of a medical cannabis dispensary and set the fine at \$100; and,

Amending the San Francisco Business and Tax Regulations Code by amending Section 1, and by adding Sections 1.177 and 249.17, to authorize the Department of Health to issue medical cannabis dispensary permits and to set out the license fees for medical cannabis dispensaries.

(Fiscal impact.)

8/16/05, ASSIGNED UNDER 30 DAY RULE to Land Use Committee, expires on 9/15/2005.

8/17/05, REFERRED TO DEPARTMENT. Referred to Planning Commission for review and comments.

8/30/05, RESPONSE RECEIVED. Planning Department Certificate of Determination of exemption/exclusion from environmental review.

9/7/05, TRANSFERRED to Budget and Finance Committee.

9/19/05, RESPONSE RECEIVED. Planning Commission Resolution No. 17105 with no recommendation and Planning Department executive summary.

10. 051260 [Medical cannabis guidelines and medical cannabis dispensary zoning and permitting]
Supervisor Sandoval
Ordinance amending the San Francisco Planning Code by amending Sections 209.3, 217, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 810, 811, 812, 813, 814, 815, 816, 817, and 818, and by adding Sections 790.141, and 890.131, to: define medical cannabis dispensaries; prohibit dispensaries in residential-house and residential-mixed zoning districts; permit dispensaries elsewhere subject to restrictions based on a dispensary's proximity to schools, community centers and institutions for the treatment of addictive diseases and subject, in some areas of the City, to the granting of a conditional use permit; require adequate ventilation in dispensaries; prohibit the sale or distribution of alcohol at dispensaries; require Planning Department notice to interested individuals and properties within 300 feet of proposed dispensaries; require dispensaries operating before April 1, 2005 to obtain a permit within 18 months of the effective date of this legislation or cease operation; require a notice that permits for dispensaries are not intended to and do not authorize the violation of State or Federal law; and make environmental findings and findings of consistency with the priority policies of Planning Code Section 101.1 and the General Plan;
Amending the San Francisco Health Code by adding Sections 3200 through 3220, to: set medical marijuana possession guidelines; require a permit, business license, and business registration certificate for a medical cannabis dispensary; set out the application process for a medical cannabis permit; set out operating requirements for medical cannabis dispensaries; and set out the administrative process for imposing penalties and/or permit suspension or revocation for violations;
Amending the San Francisco Traffic Code by amending Sections 53 and 132, to create an infraction for double parking in front of a medical cannabis dispensary and set the fine at \$100; and,
Amending the San Francisco Business and Tax Regulations Code by amending Section 1, and by adding Sections 1.177 and 249.17, to authorize the Department of Health to issue medical cannabis dispensary permits and to set out the license fees for medical cannabis dispensaries.

(Fiscal impact.)

6/28/05, ASSIGNED UNDER 30 DAY RULE to Land Use Committee, expires on 7/28/2005.

7/8/05, REFERRED TO DEPARTMENT. Referred to Planning Department for review and comment.

8/30/05, RESPONSE RECEIVED. Planning Department Certificate of Determination of exemption/exclusion from environmental review.

9/19/05, RESPONSE RECEIVED. Planning Commission Resolution No. 17104 with no recommendation and Planning Department executive summary.

9/20/05, SUBSTITUTED. Supervisor Sandoval submitted a substitute ordinance bearing new title.

9/20/05, ASSIGNED to Land Use Committee.

9/27/05, TRANSFERRED to Budget and Finance Committee.

11. 051626 [Hearing - St. Luke's and CPMC Affiliation Agreement]
Supervisor Ammiano
Hearing to inquire into the fiscal, social justice and public health implications of the Affiliation Agreement between the Boards of Directors of St. Luke's Hospital and the California Pacific Medical Center.

9/20/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

NOTE:

Pursuant to Government Code Section 65009, the following notice is hereby given: if you challenge, in court, the general plan amendments or planning code and zoning map amendments described above, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Board of Supervisors at, or prior to, the public hearing.

LEGISLATION UNDER THE 30-DAY RULE**(Not to be considered at this meeting)**

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

**051604 [Payroll Expense Tax Exclusion for Persons Who Hire the Disabled and the Homeless]
Supervisor Alioto-Pier**

Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for persons who hire the disabled and the homeless, as specified.

(Fiscal impact.)

9/20/05, ASSIGNED UNDER 30 DAY RULE to Budget and Finance Committee, expires on 10/20/2005.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agendas are available on the internet at www.sfgov.org/site/bdsupvrs_index.asp?id=4383

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

**翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701**

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

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BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 29, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: October 6, 2005 Budget and Finance Committee Meeting

DOCUMENTS DEPT.

OCT - 4 2005

Item 1 - File 05-0644

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Note: This item was continued by the Budget and Finance Committee at its meeting of June 16, 2005.

Departments: Recreation and Park Department (RPD)
Department of Public Works (DPW)

Item: Resolution adopting findings that the San Francisco Marina Small Craft Harbor project is fiscally feasible and responsible under Administrative Code Chapter 29.

Background: Chapter 29 of the City's Administrative Code, approved by the Board of Supervisors in June of 2004 (Ordinance No. 104-04) requires the Board of Supervisors, prior to completion of an Environmental Impact Report (EIR), under the California Environmental Quality Act (CEQA), to determine whether certain project plans proposed by a City department or other entity are fiscally feasible and responsible if the project's costs exceed \$25,000,000 and are funded with more than \$1,000,000 in "public monies", including the City's General Fund or proceeds of indebtedness from State or Federal loans.

According to Chapter 29, the Board of Supervisors determination of a project's fiscal feasibility is to be based on the following five criteria: (1) direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues, generated by the proposed project; (2) the cost of construction; (3) available funding for the project; (4) the long term operating and maintenance costs of the project; and (5) debt load to be carried by the department or agency.

The provisions of Chapter 29 apply to RPD's proposed renovation of the San Francisco Marina Small Craft East and West Harbor (Marina) because the Marina project's total current estimated costs of \$36,000,000 exceed the \$25,000,000 threshold and the West Harbor portion of the project (Phase I) will be financed with a \$16,500,000 State loan, which exceeds the \$1,000,000 threshold for State loan funds. The Budget Analyst notes that according to the provisions of Chapter 29, RPD's EIR for the subject project cannot be deemed complete until this proposed resolution is approved by the Board of Supervisors.

On February 27, 2003, the Board of Supervisors approved Resolution No. 149-03 certifying that the entire Marina, including both the West and East Harbors, needs renovation and reconstruction. That prior resolution also authorized the General Manager of RPD to submit a loan application to the State Department of Boating and Waterways (DBW) in the amount of \$38,800,000 in order to finance the project.

Ms. Katie Petrucione from RPD states that currently the EIR for the pending Marina renovation and reconstruction project is undergoing public comment, which will continue until October 20, 2005. According to Ms. Petrucione, RPD estimates that construction of the West Harbor will begin in October of 2008 and will be completed by April of 2010, and construction of the East Harbor will begin in August of 2010 and be completed by August of 2012.

Description:

The Marina is located on the Northern Waterfront, approximately one-half mile east of the Golden Gate Bridge and just west of Fort Mason. Located on property under the jurisdiction of the RPD, the Marina is composed of two

harbors known as the East Harbor and the West Harbor. The East Harbor consists of 342 boat slips, parkland, a restroom and two parking lots that accommodate a total of 441 vehicles, as well as a floating dock from which fuel and boat supplies are sold.

The West Harbor consists of 254 boat slips in the inner basin, 72 boat slips in the outer basin, the St. Francis and Golden Gate Yacht Clubs, which are private clubs, the Harbor Office Building, parkland, two restrooms, a concession stand which sells snack foods, and four parking lots which accommodate a total of 719 vehicles.

Attachment I, provided by Mr. Edgar Lopez of DPW, is a description of the proposed improvements at the West and East Harbors including the estimated construction costs. As shown in Attachment I, the West Harbor project (Phase I) is currently estimated to cost \$16,500,000 (pages 1 and 2 of Attachment I) and the East Harbor project (Phase II) is currently estimated to cost \$19,500,000 (pages 3 and 4 of Attachment I), for a total estimated project cost of \$36,000,000¹.

As shown in Attachment II, a memorandum from Mr. David Johnson, the Acting Deputy Director of the State DBW, provided by Mr. Brad Gross of RPD, the DBW "approved, in concept, financing for the entire Marina Project. The (DBW) Commission considered the entire project (both East and West Harbors) in its decision but only approved funding for the West Harbor project (Phase I) due to FY 2004-2005 budget limitations". According to Mr. Gross, on November 18, 2004, the State DBW approved a loan of \$16,500,000 to finance the design and engineering of the Marina and fund the West Harbor project renovations (Phase I). Funding for the East Harbor project (Phase II) has not yet been approved by the State DBW and according to Ms. Nadia Sesay of the

¹ Renovation of the East Harbor was originally projected to cost \$22,300,000 but is now estimated to cost \$19,500,000, a reduction of \$2,800,000, because the project has been scaled back. As shown in Attachment I, security systems, landscape improvements and parking control have been eliminated from the East Harbor project plan, reducing the project costs by \$2,800,000, from the original total of \$38,800,000 to the current total of \$36,000,000, for the entire Marina project.

Mayor's Office of Public Finance, alternative financing options are limited (see Comment No. 4).

According to Mr. Gross, the \$16,500,000 State DBW loan for renovation of the West Harbor is to be awarded in phases. The first phase of the DBW loan in the amount of \$1,500,000, would be used to fund costs associated with completion of the EIR. Mr. Gross explains that the \$16,500,000 State DBW loan will be allocated by the State DBW on an annual basis. Such annual allocations will depend on the availability of State loan funds each fiscal year. Mr. Gross advises that the Board of Supervisors has not yet accepted the full amount of the State loan, and explains that DPW and RPD are working with staff from the City Attorney's Office to negotiate the terms of the loan, after which a resolution accepting and authorizing expenditure of the loan will be forwarded to the Board of Supervisors for approval.

The loan is to be repaid from revenues generated by the Marina berth rental and other service fees. In order to fund repayment of the loan, RPD proposes berth rental fee increases of 37 percent for the West Harbor, beginning in FY 2010-2011, in addition to the fee increases for the Marina previously approved by the Board of Supervisors on July 12, 2005 (File No. 05-0602). According to Mr. Michael Martin of the City Attorney's Office, the planned additional 37 percent fee increase, beginning in FY 2010-2011, cannot be implemented until after completion of the EIR because CEQA requires that an EIR be completed before fees can be increased to finance a capital project, such as the pending Marina renovation and reconstruction project. The additional fee increases to be implemented in FY 2010-2011 for the West Harbor project (Phase I) would be subject to Board of Supervisors approval.

Comments:

1. According to Ms. Nadia Sesay of the Office of Public Finance, RPD would pay an interest rate of 4.5 percent on the \$16,500,000 State DBW loan but no interest costs would be incurred during the first four years while the West Harbor project is under construction. RPD would then repay the \$16,500,000 DBW loan over a 50 year period at the rate of (a) \$658,257 in 2010, (b) \$929,542 per year from 2011 through 2039 and (c) \$271,285 per year from 2040 through 2060.

Overall, RPD would repay the \$16,500,000 principal loan, with interest of \$16,811,974 or a total of \$33,311,974 over the 50-year period. Attachment III, provided by Ms. Sesay, contains the financial projections for Phase I, the renovation and reconstruction of the West Harbor, including (a) net revenues anticipated to be available from the berth rental fees, (b) the anticipated \$16,500,000 State DBW loan, including \$16,811,974 interest costs for a total of \$33,311,974, (c) the projected Surplus/(Shortfall) in the Marina Fund Balance, (d) the Cumulative Surplus/(Shortfall), and (e) the debt coverage ratio. As shown in Attachment III, the West Harbor will maintain a positive annual surplus for the anticipated 50-year life of the loan, assuming the fee increases discussed above are approved. Ms. Sesay further advises that the Office of Public Finance's projections, based on information provided by RPD, "indicate that the West Harbor revenues generated under such structure would provide sufficient revenues to repay the DBW West Harbor loan."

2. Mr. Gross states that no General Fund monies would be used to repay the \$16,500,000 loan as explained in Attachment IV.

3. As noted above, Chapter 29 requires the Board of Supervisors to base a project's fiscal feasibility and responsibility on five criteria. The first criteria is direct and indirect financial benefits of the project to the City, including, to the extent applicable, cost savings or new revenues, including tax revenues, generated by the proposed project. According to Ms. Petrucione, the Marina needs immediate repairs and replacement to continue operating and leasing the berths, which provide the main revenue source for the Marina. Ms. Petrucione notes that if the Marina is not renovated in the near future, the Marina will suffer potential revenue losses. Furthermore, Mr. Gross advises that the May of 2003 issue of *Marina World* states that "For every dollar spent in the marina, another \$6.60 to \$10.00 is spent in the surrounding community." The second criteria, the cost of construction, is detailed in Attachment I. The third criteria, available funding for the project, is discussed in greater detail in Comment No. 4 below. Ms. Petrucione advises that the proposed renovation project will

enable RPD to undertake less frequent emergency repairs, maintenance and capital improvements, permit the Marina to operate more efficiently, and thus stabilize the long term operating and maintenance costs of the project, which is the fourth criteria. The fifth criteria regarding the debt load to be carried by the department or agency is addressed above in Comment 1 and in Attachment III, and is determined to be sufficient, assuming the Board of Supervisors approves future needed fee increases.

4. As noted above, Phase II of the Project, consisting of renovation and reconstruction of the East Harbor, has not yet been funded. According to Mr. Gross, RPD is planning to apply for a \$19,500,000 loan from the State DBW in the Fall of 2006 in order to fund the East Harbor project (Phase II). Attachment II, a June 1, 2005 memorandum from the State DBW, states that "although the East Harbor project has not been approved for funding by DBW, DBW will rely on East Harbor revenues, more specifically increased revenues from the East Harbor, to justify its decision to finance the remainder of the project." Attachment V, provided by Ms. Sesay, discusses alternative financing options for renovation of the East Harbor. According to Ms. Sesay, "in the absence of DBW financing, the City's financing options for the East Harbor renovations are limited."

5. As stated above, "available funding for the project" is the third criteria for the Board of Supervisors to consider in the determination of a project's fiscal feasibility. According to Ms. Elaine Warren of the City Attorney's Office, "the Chapter 29 criterion 'available funding for the project' can reasonably be interpreted to mean potential, identified sources of funds, given that governmental entities cannot make final decisions to fund projects until environmental review is complete." According to Ms. Petrucione, RPD plans to apply for another State DBW loan for the East Harbor Phase II renovation project to pay for the total estimated project cost of \$19,500,000 for Phase II. Ms. Petrucione states that the RPD considers such a loan as a potential source of funds.

The June 1, 2005 State DBW memorandum (Attachment II) to Mr. Gross states:

The Department of Boating and Waterways Commission (DBW) has approved, in concept, financing for the entire Marina project. The Commission considered the entire project (both East and West Harbors) in its decision but only approved funding for the West Harbor project due to FY 04/05 budget limitations. By law the Commission cannot approve the expenditure of future funds.

6. The Budget Analyst notes that if the Board of Supervisors does not approve the proposed resolution, RPD cannot proceed with the CEQA process and complete the EIR for the West and East Harbor projects. If the EIR is not completed, the State DBW cannot award the \$16,500,000 State loan, for the West Harbor Phase I project, according to Ms. Warren. Therefore, neither the West Harbor nor East Harbor projects can proceed without approval of this proposed resolution.

7. An amendment to Chapter 29 added on July 29, 2005 (File No. 05-0817), requires RPD to identify the total amount of costs which have been incurred for environmental review for all projects that have already commenced environmental review by July 1, 2005. RPD has expended approximately \$520,000 on the environmental review process to date, as itemized in Attachment VI provided by Ms. Petrucione. Ms. Petrucione states that should the proposed resolution be approved by the Board of Supervisors, the State DBW loan for the West Harbor would reimburse the RPD for the \$520,000 in previously incurred expenditures for the environmental review.

8. The Budget Analyst will be reviewing the Marina Yacht Harbor operations in detail, including revenues and expenditures, as part of the Budget Analyst's management audit of RPD. The RPD management audit should be completed in December of 2005.

Recommendation: Based on the advice of the City Attorney's Office that available funding for the project includes "potential identified sources of funds", approve the proposed resolution.



ESTIMATED CONSTRUCTION COSTS FOR PROPOSED IMPROVEMENTS
AT SAN FRANCISCO MARINA SMALL CRAFT YACHT HARBOR
WEST HARBOR (Phase I of II)

Description	<u>Cost</u> <u>\$2005</u>	<u>Cost Escalated</u> <u>to midpoint of</u> <u>construction in</u> <u>2009</u>
1. <u>Pumpout System</u> Install sewage pump out facilities at public docks for boat use. <i>Expected to be funded through a grant program administered by the Dept. of Boating and Waterways.</i>	0	0
2. <u>New Gangways</u> Install gates in West	56,243	65,000
3. <u>ADA Improvements</u> New signage, striping for parking area, curb cuts and path of travel improvements. only access to parking areas	169,000	194,000
4. <u>Breakwater</u> Install a rock breakwater connected to existing peninsula; install a south segment extending from Marina Green seawall.	1,223,000	1,403,000
5. <u>Building Improvements</u> Upgrade public restrooms and tenant shower facilities for ADA compliance. Renovate degaussing station to be used as the Harbor Office.	506,000	581,000
6. <u>Dredging</u> Dredge channels and area under berths.	450,000	516,000
7. <u>Floating Dock Replacement</u> Replace docks and gangways, in the process revise number and configuration of berths, reducing number of boat slips, increase average length of berths from 32 to 36 feet. Remove creosote-treated wood piles and replace with concrete piles.	7,255,000	8,324,000
8. <u>Mole Removal</u> Remove small parking peninsula and pedestrian pier west of Harbor Office to facilitate new berth configuration.	634,000	727,000
9. <u>Repair Revetments</u> Add new rip rap and provide filter fabric	534,000	613,000

Description (continued)		<u>Cost</u> <u>\$2005</u>	<u>Cost Escalated to</u> <u>midpoint of</u> <u>construction in</u> <u>2009</u>
10.	<u>Electrical Service Upgrades</u> Upgrade electrical service as part of floating dock replacement.	141,000	163,000
	10% Construction Contingency	1,097,000	1,259,000
	Engineering, Permitting, Administration and Construction Management	2,314,000	2,655,000
	TOTAL	\$14,380,000	\$16,500,000



**ESTIMATED CONSTRUCTION COSTS FOR PROPOSED IMPROVEMENTS
AT SAN FRANCISCO MARINA SMALL CRAFT YACHT HARBOR
EAST HARBOR (Phase II of II)**

Description	<u>Cost</u> <u>\$2005</u>	<u>Cost Escalated</u> <u>to midpoint of</u> <u>construction in</u> <u>2011</u>
1. <u>Floating Dock Replacement</u> Replace docks and gangways, in the process revise number and configuration of berths, reducing number of boat slips, increase average length of berths from 32 to 36 feet. Remove creosote-treated wood piles and replace with concrete piles.	4,446,587	5,626,000
2. <u>New Dock Utilities</u> Upgrade electrical, water and telephone infrastructure, including fire protection stations as part of floating dock replacement.	1,345,720	1,702,000
3. <u>Breakwater</u> Install a rock breakwater connected to existing peninsula; install a south segment extending from Marina Green seawall.	1,631,053	2,063,000
4. <u>New Gangways</u> Install gates in West.	224,973	285,000
5. <u>ADA Improvements</u> New signage, striping for parking area, curb cuts and path of travel improvements. Access to parking areas	168,730	213,000
6. <u>Pumpout System</u> Install sewage pump out facilities at public docks for boat use. <i>Expected to be funded through a grant program administered by the Dept. of Boating and Waterways.</i>	0	0
7. <u>Oilv Water System</u> Install new facilities to pump oily bilge water at public docks for boat use. <i>Expected to be funded through a State grant program.</i>	0	0
8. <u>Repair Revetments</u> Add new rip rap and provide filter fabric	815,526	1,032,000
9. <u>Security Systems</u> Install close circuit TV camera system at all gates; install 911-alarm and direct telephone link to Harbor Office to facilitate remote gate key operation.	0	0
10. <u>Dredging</u> Dredge channels and area under berths.	1,574,810	1,993,000

Description	<u>Cost</u> <u>\$2005</u>	<u>Cost Escalated</u> <u>to midpoint of</u> <u>construction in</u> <u>2009</u>
<u>Building Improvements</u>	1,856,026	2,340,000
Upgrade public restrooms and tenant shower facilities for ADA compliance. Renovate degaussing station to be used as the Harbor Office.		
<u>Electrical Service Upgrades</u>	949,385	1,201,000
Upgrade electrical service as part of floating dock replacement.		
<u>Landscape Improvements</u>	0	0
Replace vegetation and landscape features that deteriorated over time or have been vandalized.		
<u>Parking Control</u>	0	0
Install parking access control gates to all lots, to be operated during peak hours to allow boater-only access to parking areas		
10% Construction Contingency	1,301,000	1,646,000
Engineering, Permitting, Administration and Construction Management	1,106,000	1,399,000
TOTAL	\$15,419,809	\$19,500,000

DEPARTMENT OF BOATING AND WATERWAYS

2000 EVERGREEN STREET, SUITE 100
SACRAMENTO, CA 95815-3888
(916) 263-1331

Attachment II

Page 1 of 2



June 1, 2005

Mr. Brad Gross
Manager of Marina Operations
San Francisco Marina
3950 Scott Street
San Francisco, CA 94123

Dear Mr. Gross:

This letter is written in response to your inquiries concerning the status of the San Francisco Marina East Harbor loan application and the relationship between the East Harbor project and the slip rental fee increase currently under consideration by the San Francisco Board of Supervisors.

The Department of Boating and Waterways Commission (DBW) has approved, in concept, financing for the entire Marina project. The Commission considered the entire project (both East and West Harbors) in its decision but only approved funding for the West Harbor project due to FY 04/05 budget limitations. By law the Commission cannot approve the expenditure of future funds.

DBW is currently considering the remainder of the Marina project (i.e., the East Harbor renovations) for inclusion in the FY 06/07 Governor's Budget. A final list will not be available until January 2006. DBW's decision to finance the East Harbor project will be predicated on the availability of DBW budgetary funds to provide the loan and the demonstrated ability of the Marina to generate revenues sufficient to repay the loan.

Although the East Harbor project has not been approved for funding by DBW, DBW will rely on East Harbor revenues, more specifically increased revenues from the East Harbor, to justify its decision to finance the remainder of the Marina project. If the City fails to increase slip revenues as projected in the Marina project feasibility report, DBW would have the option to withdraw its commitment to fund the West Harbor project. Although the loan contract does not give specific dates for fee increases, the feasibility report (which will be made part of the loan contract when it is executed) states how much fees will increase over a five-year period. Delaying fee increases now will require larger increases in the future to meet the revenue projections included as part of the Marina project's loan application.

Mr. Gross
June 1, 2005
Page 2 of 2

I noted earlier that the East Harbor project is one of the projects being considered by DBW for the FY 06/07 Governor's Budget. A deciding factor in ranking projects for loan funding is ability to repay. If you are interested our ranking criteria can be found in the California Code of Regulations: Title 14, Division 4, Chapter 1, Article 1.1, Section 5104. Assuming fees are not raised above market rates, a fee increase will augment the Marina's ability to repay the loan, which can only help the project's ranking.

Finally, I should mention recent changes to DBW's Commission. The Governor has appointed five new members to DBW's Commission. The current Commission has been very vocal concerning DBW staff making sure that marinas funded by DBW charge market rates for their services. In addition, recent statute changes require DBW to make sure that rates charged at DBW funded marinas are sufficient to cover all expenses.

If you have any questions please feel free to contact Harold Flood, Boating Facilities/Planning at 916/263-8165 or by e-mail at hfflood@dbw.ca.gov.

Sincerely,

David Johnson
Acting Deputy Director

Marina Harbor Project (West Harbor Only)

Cash Flow Assumptions (per BOS approval): Rental Rate increases:(23%, 20%, 4% for 3 yrs, 37% & 3% thereafter)

Construction Cost: \$16,500,000

Funding Option: California Department of Boating and Waterways Loan (the "DBW Loan")

Fiscal Year	Net Revenues	DBW Loan	Surplus/ (Shortfall)	Use of Surplus Fds \$1,390,000	Cummulative (+/-)	Debt Coverage Ratio
2006	\$94,985		\$94,985		\$1,484,985	
2007	246,281		246,281		\$1,731,266	
2008	356,513		356,513		\$2,087,779	
2009	377,513		377,513		\$2,465,292	
2010	397,354	\$658,257	(260,904)		\$2,204,388	3.35
2011	830,580	929,542	(98,963)		\$2,105,425	2.27
2012	852,702	929,542	(76,840)		\$2,028,585	2.18
2013	875,358	929,542	(54,184)		\$1,974,401	2.12
2014	899,094	929,542	(30,449)		\$1,943,952	2.09
2015	923,457	929,542	(6,086)		\$1,937,866	2.08
2016	949,495	929,542	19,953		\$1,957,819	2.11
2017	975,260	929,542	45,718		\$2,003,537	2.16
2018	1,001,303	929,542	71,761		\$2,075,298	2.23
2019	1,027,677	929,542	98,135		\$2,173,432	2.34
2020	1,057,937	929,542	128,395		\$2,301,827	2.48
2021	1,085,640	929,542	156,098		\$2,457,925	2.64
2022	1,115,845	929,542	186,302		\$2,644,228	2.84
2023	1,147,110	929,542	217,568		\$2,861,795	3.08
2024	1,178,498	929,542	248,956		\$3,110,751	3.35
2025	1,211,573	929,542	282,031		\$3,392,782	3.65
2026	1,245,900	929,542	316,358		\$3,709,140	3.99
2027	1,281,047	929,542	351,505		\$4,060,645	4.37
2028	1,317,084	929,542	387,542		\$4,448,187	4.79
2029	1,353,081	929,542	423,539		\$4,871,726	5.24
2030	1,391,614	929,542	462,071		\$5,333,797	5.74
2031	1,430,757	929,542	501,215		\$5,835,012	6.28
2032	1,473,680	929,542	544,138		\$6,379,150	6.86
2033	1,517,890	929,542	588,348		\$6,967,498	7.50
2034	1,563,427	929,542	633,885		\$7,601,383	8.18
2035	1,610,330	929,542	680,788		\$8,282,170	8.91
2036	1,658,640	929,542	729,097		\$9,011,268	9.69
2037	1,708,399	929,542	778,857		\$9,790,124	10.53
2038	1,759,651	929,542	830,109		\$10,620,233	11.43
2039	1,812,440	929,542	882,898		\$11,503,131	12.38
2040	1,866,814	271,285	1,595,529		\$13,098,660	48.28
2041	1,922,818	271,285	1,651,533		\$14,750,193	54.37
2042	1,980,503	271,285	1,709,218		\$16,459,410	60.67
2043	2,039,918	271,285	1,768,633		\$18,228,043	67.19
2044	2,101,115	271,285	1,829,830		\$20,057,873	73.94
2045	2,164,149	271,285	1,892,864		\$21,950,736	80.91
2046	2,229,073	271,285	1,957,788		\$23,908,525	88.13
2047	2,295,945	271,285	2,024,660		\$25,933,185	95.59
2048	2,364,824	271,285	2,093,539		\$28,026,723	103.31
2049	2,435,768	271,285	2,164,483		\$30,191,207	111.29
2050	2,508,842	271,285	2,237,556		\$32,428,763	119.54
2051	2,584,107	271,285	2,312,822		\$34,741,585	128.06
2052	2,661,630	271,285	2,390,345		\$37,131,930	136.87
2053	2,741,479	271,285	2,470,194		\$39,602,123	145.98
2054	2,823,723	271,285	2,552,438		\$42,154,561	155.39
2055	2,908,435	271,285	2,637,150		\$44,791,711	165.11
2056	2,995,688	271,285	2,724,403		\$47,516,114	175.15
2057	3,085,559	271,285	2,814,273		\$50,330,387	185.53
2058	3,178,125	271,285	2,906,840		\$53,237,228	196.24
2059	3,273,469	271,285	3,002,184		\$56,239,412	207.31
2060	3,371,673	271,285	3,100,388		\$59,339,800	218.74
	\$91,261,774	\$33,311,974	\$57,949,800			



MARINA MEMORANDUM

TO: Rebekah Krell, Budget Analyst

FROM: Brad Gross, Manager of Marina Operations

RE: SF MARINA SMALL CRAFT HARBOR LOAN

DATE: May 23, 2005

Under the California Department of Boating and Waterways (DBW) loan program for Small Craft Boat Harbor Development, loan documents will be negotiated and finalized only after a loan application has been submitted and approved and funds for the loan have been included in the state budget.

As a general matter DBW has a set of standard terms that they include in most of their loan agreements but the full scope of a Marina loan agreement will be based on the specific characteristics of the project and the revenues it will be able to generate.

DBW's standard loan repayment language will have to be altered to meet the restrictions for the special fund exceptions to the state constitutional debt limit, in that no General Fund money may be pledged to make up any shortfall in repayment from the revenues generated by the project. In preliminary discussions with staff DBW has indicated that these terms would be acceptable.



OFFICE OF THE MAYOR
SAN FRANCISCO



GAVIN NEWSOM

DATE: March 3, 2005
TO: Marina Harbor Project Working Group
FROM: Nadia Sesay
SUBJECT: Marina Harbor Project

Introduction

The purpose of this memo is to provide an update on the financing scenarios for the San Francisco Marina Harbor Renovation (the "Project") based on the California Department of Boating and Waterways' (the "DBW") response to the City loan application and to detail the City's options as the Recreation and Parks Commission (the "RPC") and the Board of Supervisors (the "BOS") contemplate pursuing a Marina berth rental rate increase.

Background

In April 2003, the BOS approved an application to DBW for a loan covering the full Project in an amount of \$38,000,000. In August 2003, the RPC approved berth rental rate increases for both East and West Harbor based on the pending application as follows: 40% increase in fiscal year 2003-04, 4% increase through fiscal year 2006-07, 37% increase in fiscal year 2007-08 and 3% increase thereafter. In November, 2004, the DBW approved a loan of \$16,500,000 to finance the West Harbor renovations alone, and stated there would be no financing available at this time for the East Harbor improvements.

For purposes of this analysis, revenue and expense assumptions are based on the City's feasibility report prepared by Moffatt & Nichol Engineers and Williams Kuebelbeck & Associates, Orion Environmental Associates (the "Feasibility Report") in December 2002 which accompanied the loan application. This analysis also updates the RPC-approved berth rate increase by applying the 40% berth rental rate increase to fiscal year 2005-06 and adjusting the remaining years accordingly as shown above.

West Harbor

In order to maintain viable options for the financing of the East Harbor portion of the Project, it is necessary to segregate the East Harbor revenues for application toward its own financing (See discussion below) or for pay-as-you-go improvements. Therefore the West Harbor alone must generate sufficient revenues to repay the DBW loan financing the West Harbor renovations. Based on the assumptions of a \$16,500,000 DBW loan under DBW's payment conditions, the berth rental rate increases for the West Harbor as approved in August 2003 by RPC would provide sufficient revenues to repay the DBW West Harbor Loan. This analysis assumes that the amount of \$1,390,000 in surplus funds currently held with the Controller will be available to

subsidize the debt service payments when there is a shortfall, as is projected for fiscal years 2009-10 through 2018-19.

The Controller's June 2000 Audit of Marina operations proposed berth rental rate increases of up to 51% after the Project renovation. The revenues generated under such a fee structure will not be sufficient to repay the DBW West Harbor Loan. The shortfall ranges from \$50,000 to \$564,000 annually through maturity and the surplus of \$1,390,000 will run out in fiscal year 2012-13. If the 51% berth rental rate increase was implemented in fiscal year 2000-01 based on CPI increases since 2000, the revenues generated would be sufficient to support the West Harbor renovations.

In response to a proposal advanced by interested outside parties, staff also suggested we explore berth rental increases of 12% for 4 fiscal years and 3% increases thereafter. Based on the assumptions detailed above, our projections indicate that the West Harbor revenues generated under such a structure would not be sufficient to repay the DBW West Harbor Loan. The shortfall ranges from \$50,000 to \$635,000 annually through maturity and the currently held surplus of \$1,390,000 will be exhausted in fiscal year 2011-12.

After the Operation Park Committee of the Recreation and Park Commission hearing held on February 2, 2005, RPC suggested we explore berth rental increases of 23%, 20%, 4% for 3 fiscal years, 37% and 3% each fiscal year thereafter. Based on the assumptions detailed above, our projections indicate that the West Harbor revenues generated under such structure would provide sufficient revenues to repay the DBW West Harbor Loan. This analysis assumes that the amount of \$1,390,000 in surplus funds currently held with the Controller will be available to subsidize the debt service payments when there is a shortfall, as is projected in a number of fiscal years between 2004-05 and 2017-18.

East Harbor

The cost associated with the renovation of the East Harbor is \$19,500,000. In the absence of DBW financing, the City's financing options for the East Harbor renovations are limited. The most efficient available option would be an issuance of Certificates of Participation ("COPs"), with East Harbor revenues used to fulfill the City's debt service obligation. An issuance of COPs is a more expensive option than the DBW loan. In a COPs transaction, borrowing costs are increased by the need to fund reserves, including capitalized interest, and to pay costs of issuance. On the other hand, the full amount of COP proceeds would be available immediately to apply to project costs, unlike the DBW loan under which loan proceeds are received over several years and thus construction phasing costs are increased.

Based on the rental rate increases approved by the RPC in August 2003, the revenues generated by the East Harbor will not be sufficient to repay a hypothetical COP issuance. Even after reducing the scope of the renovation to an \$8,000,000 project (which represents the lowest principal amount at which it is economically efficient to issue COPs), the revenue shortfall will range from \$8,000 to \$708,000 annually through fiscal year 2019-20. East Harbor revenue would also be insufficient in the various berth rental rate increases structures identified under the West Harbor renovations above.

Although an additional DBW loan for the East Harbor improvements has not been awarded nor applied for, this analysis was extended to a hypothetical DBW loan for the East Harbor portion of the Project. Applying the payment schedule on the DBW Loan on the West Harbor to a hypothetical East Harbor DBW loan, the revenue generated by the East Harbor under the RPC's proposed fee increase does not generate sufficient revenues to finance the full amount of renovations at the East Harbor. This is due to the fact that the East Harbor contains considerably less linear footage than the West Harbor.

Conclusion

The berth rental rate increases of 23%, 20%, 4% for 3 fiscal years, 37% and 3% each fiscal year thereafter, discussed at the RPC Operation Committee on February 2, 2005 will be sufficient to repay the DBW loan for the West Harbor renovations. In addition, if the berth rental rate increases approved by the RPC in August 2003 were adopted for the Marina, the West Harbor would generate revenues sufficient to repay the DBW loan for the West Harbor renovations. Further analysis needs to be conducted to determine the appropriate financing option, rental rate and scope of renovation on the East Harbor portion of the Project. Possible options include applying for a DBW loan to support the renovations of at the East Harbor, reducing the scope of the East Harbor renovations or instituting a larger rental rate increase for the East Harbor than previously proposed.

Finally, Exhibit A hereto provides the cash flows associated with the West Harbor. Additional detail regarding each of the various berth rental rate structures discussed above are available upon request. In addition, cash flows associated with the East Harbor and additional detail regarding each of the various berth rental rate structures are available upon request.



MEMORANDUM

To: Harvey Rose

From: Katie Petrucione

Re: Marina Project Related Expenditures to Date

Date: September 19, 2005

The Recreation and Park Department engaged a consultant in August 2003 to work on a Mitigated Negative Declaration for the Marina Project. After receiving significant public input, RPD decided in May 2004 to carry out an Environmental Impact Report for the project. The EIR, which was undertaken by the same consulting firm that had worked on the Negative Declaration, is nearly complete. To date, the department has expended approximately \$520,000 on the environmental review process. This includes \$290,000 for the consultant's work, \$54,000 in City Planning fees and \$171,000 in Department of Public Works staff costs. Should the project receive approval, the West Harbor loan from the state will cover these expenditures.

Item 2 - File 05-1297

Note: This proposed resolution was originally introduced to the Board of Supervisors on July 12, 2005 and was calendared for adoption without Committee reference by the full Board of Supervisors. The proposed resolution was heard by the full Board of Supervisors on July 19, 2005 and, at that time, the Board of Supervisors referred the proposed resolution to the Budget and Finance Committee for further consideration.

Department: Department of the Environment (DOE)
Department of Public Works (DPW)

Item: Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$61,223.20 from Air Products and Chemicals, Inc. to complete site work for a hydrogen fueling station to be located at Central Shops, 1800 Jerrold Avenue in San Francisco.

Amount: \$61,223.20

Source of Funds: A grant from Air Products and Chemicals, Inc.

Grant Period: June 30, 2005 through June 30, 2006

Matching Funds: None Required

Indirect Costs: None included. Grant does not permit charging of indirect costs

Description: The Department of the Environment is requesting approval to accept and expend grant funds totaling \$61,223.20 from Air Products and Chemicals, Inc. for the purpose of completing site work construction for the installation of a permanent hydrogen fueling station at 1800 Jerrold Avenue, the location of the City's Central Shops. According to Mr. Jared Blumenfeld, Director of the Department of the Environment, the site work construction will be performed on an in-house basis by the Department of Public Works. Once the site work construction is completed by the Department of Public Works, the permanent hydrogen fueling station will be provided and installed by the grantor, Air Products and Chemicals, Inc. at no cost to the City.

BOARD OF SUPERVISORS
BUDGET ANALYST

Budget:

A summary budget totaling \$61,223.20 for the proposed site work construction to be performed by the Department of Public Works for the permanent hydrogen fueling station is as follows:

Cement Work	\$33,776.48
Electrical	13,898.32
Paint	3,074.00
Sheet Metal	8,316.80
Contingency	<u>2,157.60</u>
Total Grant	\$61,223.20

The Attachment provided by Mr. Blumenfeld, contains additional cost details to support the above summary budget.

Comments:

1. As noted above, the proposed resolution authorizing the Department of the Environment to accept and expend these funds totaling \$61,223.20 from Air Products, Inc. was introduced to the Board of Supervisors on July 12, 2005 and considered for adoption without Committee reference on July 19, 2005 when it was referred to Budget and Finance Committee. Mr. Blumenfeld states that the Board of Supervisors raised a concern about whether the hydrogen fuel which the City would use was from renewable sources. Mr. Blumenfeld states on page 3 of the attached memorandum that the former Manager in charge of the Clean Air Program believed that he had resolved these concerns satisfactorily. However, the Budget Analyst notes that the Department is unable to provide any additional details on how the concerns of the Board of Supervisors have been resolved at this time. Based on the above, approval of this resolution is a policy matter for the Board of Supervisors.

2. According to Mr. Blumenfeld and as explained in the Attachment, the Air Products and Chemicals, Inc. wants to provide the City with a grant to complete the site work construction and install a hydrogen fueling station on the completed site at no cost to the City, because it will provide Air Products and Chemicals, Inc. with an opportunity to move the hydrogen fuel technology

BOARD OF SUPERVISORS

BUDGET ANALYST

forward and could result in a broader market for such technology. Mr. Blumenfeld added that since hydrogen fuel technology is still in the developmental stages, having such technology used by the City could help accelerate its adoption.

Recommendation: In accordance with Comment No. 1 above, approval of the proposed resolution is a policy matter for the Board of Supervisors.



SF Environment

Our home. Our city. Our planet.



GAVIN NEWSOM
Mayor

JARED BLUMENFELD
Director

Attachment 1 to Item 2 - File 05-1297

Department: Department of the Environment (DOE)
Department of Public Works (DPW)

Item: Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$61,223.20 from Air Products and Chemicals, Incorporated to complete site work for a hydrogen fueling station to be located at Central Shops, 1800 Jerrold Avenue in San Francisco.

Amount: \$61,223.20

Summary: Installing a permanent hydrogen fueling station is basically Phase 2 of a 3-phase project to allow the City to secure hydrogen from a renewable energy source. In the first phase, the City purchased hydrogen, which was distributed through a temporary fueling station. Phase 2 allows for the permanent station to be built and ultimately include an electrolyzer unit to separate the hydrogen from water. Phase 3 includes operating the electrolyzer unit with renewable energy sources. Note that no General Funds are being used on any phase of the project.

Overview of the Hydrogen as an Energy Source

Hydrogen has been sited as one of the cleanest energy sources available—the only emission is H₂O—pure water. A hydrogen based energy economy offers a potential solution to satisfying global energy requirements while reducing carbon dioxide and other greenhouse gas emissions and improving energy security.

Research is currently being completed to investigate how hydrogen can be routinely produced and safely stored and delivered to customers to use in residential, commercial, industrial and transportation uses. It is anticipated that hydrogen powered fuel cells and engines will be common as the gasoline and diesel engines of the late 20th century. Many scientists and engineers agree that hydrogen will power our cars, trucks, buses, and other vehicles, as well as our homes, offices, and factories.

The State of California is committed to this clean fuel alternative and is in the process of developing a “hydrogen highway” from Sacramento to San Diego. Prior to 2003, the City of San Francisco had no presence on this highway. In February 2003, the San Francisco Commission on the Environment and its Board of Supervisors passed resolutions calling for San Francisco to become a “Hydrogen City” and committed to playing an important role in deployment of hydrogen technologies and their associated infrastructure requirements. Specifically, the resolutions called for pilot projects using hydrogen as a clean alternative fuel.

Overview of the Current Hydrogen Fuel Cell Vehicle Project

San Francisco's goal of integrating hydrogen power vehicles into the City vehicle fleet is part of a larger effort to champion clean air vehicles and energy both locally and in the State of California. The City's current vehicle fleet composition reflects its commitment to adopt cleaner technologies and fuels—more than 25% of the City's vehicle

purchases in the past four fiscal years have been alternative fueled vehicles (AFVs) such as those using Compressed Natural Gas. With each type of AFV, fleet maintenance and operations staff gain valuable experience and knowledge.

In keeping with the Board of Supervisors Hydrogen resolution, in Fall 2003, the Department of the Environment began to investigate hydrogen fuel cell vehicle demonstration projects, which could provide an opportunity for local officials (fire marshal, health and safety officers, mechanics, fleet managers, and others) to learn about this new clean vehicle technology without committing significant City resources.

Hydrogen fuel cell vehicles are currently being produced in extremely small quantities and are being allocated to a select few fleet operators in California for pilot demonstration programs. After an extensive process, during which SFE had numerous meetings with car manufacturers and infrastructure vendors, the Department of the Environment was able to arrange to lease fuel cell vehicles and temporary fueling infrastructure from San Francisco Honda. At the time of the selection process, Honda was the only manufacturer able to offer a vehicle that is certified by the State to operate on California freeways and has arguably the most advanced fuel cell program in the industry. In September of 2003, Honda officially announced their selection of the City and County of San Francisco as a demonstration partner in their fuel cell program.

Contributing to the competitive nature of the selection process was that several other cities also wanted to be the sites of pilot projects so they would be seen as being on the cutting edge of new technologies. In addition, the Honda vehicles, valued at \$1.5 million each were leased to City at a highly reduced rate.

In March 2004, the Department of the Environment entered into a contract with American Honda and the cars were delivered to the City at that time. It was difficult to set up a pilot project to lease vehicles without a hydrogen fueling infrastructure in place and Honda negotiated with the City to provide this infrastructure as part of the contract—again at a very reduced rate. Thus, the contract with Honda includes the lease price for the vehicles as well as the cost of the hydrogen infrastructure necessary to operate the cars—the hydrogen, a temporary hydrogen fueling station, as well as maintenance and insurance for the vehicles. The provider of hydrogen named in the contract is Air Products and Chemicals, INC and they have been providing hydrogen to a temporary fueling station.

Fuel Cell Vehicle Pilot Project Success

Bringing these fuel cell vehicles into the City's fleet has added to our knowledge base for handling hydrogen and dealing with infrastructure and safety issues. This knowledge will be used for long-term decision making about infrastructure development, training, and vehicle purchases as hydrogen becomes a more ubiquitous fuel choice. The criteria for success of the project is that the two fuel cell vehicles are operating under standard fleet conditions and all stakeholders such as Honda, other car manufacturers, hydrogen companies, and Clean Air professionals are interested in their operation and performance, as well as continuing to develop an understanding of using hydrogen as an alternative fuel source. The fact that the pilot project is happening is the success.

Secondarily, the fact that this project has been a high profile one for the City cannot be overlooked. It has ensured that San Francisco maintains its position as one of the leaders in urban sustainability and puts the City well on the way to being positioned to participate in the new hydrogen economy. The project has been funded by stakeholders interested in the technology.

Through the California Air Resources Board's (CARB) Zero-emission vehicle Incentives Program (ZIP) grants to the City has been able to pay for the vehicle leases (\$24,000). Additional funding for the project has been provided by the Richard and Rhoda Goldman Fund (\$25,000), PG&E (\$50,000), the Transportation Fund for Clean Air (\$100,000). All of these stakeholders are interested in supporting these kinds of projects that allow the hydrogen fuel cell vehicles to operate for an extended period of time under fleet conditions and in a varying terrain such as San Francisco's myriad hills and grades.

Building a Permanent Hydrogen Fueling Infrastructure

At some point in the future, the City will operate hydrogen vehicles at the same cost that it operates any other of its vehicles. By accepting Air Products donation of a permanent hydrogen fueling station now, the City will be prepared to participate in using this fuel.

In addition, currently technology is already available to use a mix of hydrogen and Compressed Natural Gas (CNG) in existing vehicles to produce an even cleaner burning fuel and the potential is there for the City to again take a leadership role in deploying this particular hydrogen technology. The City already operates an array of CNG vehicles and this fuel mix could potentially be utilized if costs would be no different than the on-going fuel costs the City already incurs in the daily use of its fleet vehicles.

work for the project will begin as soon as funds are received by the City, approximately the end of October or early November, and should take 6 weeks to complete. The project will not depend on support from the City's General Fund.

History of Current Resolution

The resolution authorizing the DOE to accept and expend these funds totaling \$61,223.20 from Air Products, Inc. was introduced to the Board on July 12, 2005 and was to be voted on at the July 19, 2005, meeting. At that time, this resolution was referred to the Budget and Finance Committee for further investigation, as there had been some concern about whether the hydrogen the City will be using comes from renewable sources. Rick Ruvolo, the former Manager of the Clean Air Program stated that he had addressed the any concerns of the Board satisfactorily. He has since retired from City employment—his replacement will oversee the final phases of this project.

In Conclusion

Currently, there are very few projects that allow stakeholders to understand how hydrogen fuel cell technology works in a real-world setting. This project has given both Honda and Air Products an opportunity to move the technology forward and accelerate the adoption of a clean hydrogen economy. The residents of San Francisco and its Board of Supervisors can be proud of its historic contribution to the development of this important technology.

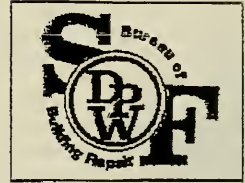
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BBR

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**Department of Public Works
Bureau of Building Repair
Proposal**

1021



To: 3/3/2005
 By: JIM JOHNSON
 Dept: PURCH
 From: PETER CHORNEAU Maintenance Planner
 695-2039

Project Name: HYDROGEN FUEL STA CTL SHOP rev
 Project Location: 800 QUINT STREET Contact Person: JIM JOHNSON
 Contact Phone#: 550-4603

Scope of Work: BBR Manager: Rich Bridgman 695-2037

ML 3/4/05

Install rough utilities for new Hydrogen Fuel Station @ Central Shops:

- Saw cut asphalt, excavate, back fill and pour concrete base for new asphalt for electrical trenches approx. 160 l/f by 1'-0" wide by 18" deep. Core drill 4 holes for electric shop
- Saw cut asphalt, excavate, form and pour concrete for (4) steel reinforced pads per plan. Furnish, install and paint (30) steel bollards to surround pads
- Install electrical power of 230/3 phase 25 amps to service station E100E, provide 120/20 amps/60 hz service for telemetry, provide and install twisted shielded pair cable for emergency stop. Furnish and install grounding system
- Remove approx. 120 lin.ft of existing fence fabric and install new fabric with redwood-colored vinyl slats using existing framing
- Remove existing pavement markings; paint new yellow striping and stencil 'No Parking' zone

Project Administration Manager

Sub-Total

In-House :

	Labor Cost:	***Material Cost:	
Carpentry	0	0	0.00
Cement	\$29,161.48	\$4,615.00	33,776.48
Electrical	10,998.32	2,900.00	13,898.32
Glazier	0	0	0.00
Locksmith	0	0	0.00
Painter	2,674.00	400.00	3,074.00
Plumber	0	0	0.00
Steamfitter	0	0	0.00
Sheet Metal	5,516.80	2,800.00	8,316.80
Sub-Total*			\$59,065.60

Other Services 0.00

Inspection Services 0.00

Project Contingency** \$2,157.60

Total Fixed Price \$61,223.20

Pete Chorneau
 Bureau Head Signature

3-4-05
 Date

[Signature]
 Deputy Chief of Signature Date

NOTE: This estimate does not include the cost of abatement and/or removal of any hazardous materials that may present at your facility or job site unless otherwise indicated. If asbestos or other hazardous material are discovered, delays in completion of project may occur, and additional abatement costs will be the responsibility of the requesting agency.

ntingencies will be credited back to the department if the project does not have cost over-runs.

** Mark-up sales tax and freight charges are included

This proposal is valid for 30 days unless otherwise requested. If you have any questions regarding this proposal, please contact Pete Chorneau @ 695-2039

03/29/2005 14:51 4156952125

EER

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Text223:



ESTIMATE	1021	DATE	03/03/2005	TITLE	HYDROGEN FUEL STA CTL SHOP rev	
ADDRESS:	800	QUINT STREET	ROOM/FLOOR	OPEN AREA		
CONTACT:	JIM	JOHNSON	AREA	415	PHONE	550-4603
ADDRESS	800	QUINT STREET	CITY	SAN FRANCISCO		
DEPARTMENT	PURCH					

SCOPE OF WORK:

PLANNER: PETER CHORNEAU

695-2039

- Saw cut asphalt, excavate, back fill and pour concrete base for new asphalt for electrical trenches approx. 160' by 1'-0" wide by 18" deep. Core drill 4 holes for electric shop
- Saw cut asphalt, excavate, form and pour concrete for (4) steel reinforced pads per plan. Furnish and install (30) steel bollards to surround pads
- Install electrical power of 230/3 phase 25 amps to service station E100E, provide 120/20 amps/60 hz service for telemetry, provide and install twisted shielded pair cable for emergency station. Furnish and install grounding

NOTATIONS:

MANAGER:

Rich Bridgman 695-2037

Deleted from original scope: provide and install 20' light pole with two 250w HPS fixtures.

Need to reduce Electrician's estimate*

Steve Hoffman (707) 748-7595 (Air Products) will be funding project

DESCRIPTION 1

LEAD SAMPLES

ASBESTOS SAMPLES

CRAFT NAME	RATE	HOURS	MATERIALS	CRAFT TOTALS
ELECTRICIAN	80.87	138	\$2,900.00	\$13,898.32
CEMENT SUP 1	88.49	24	\$0.00	\$2,123.76
CEMENT MASON	65.21	160	\$4,815.00	\$15,048.60
LABORER	53.55	258	\$0.00	\$14,378.20
TRUCK DRIVER	69.58	32	\$0.00	\$2,225.92
SHEETMETAL	85.20	64	\$2,800.00	\$8,316.80
PAINTER	65.85	40	\$400.00	\$3,074.00
TOTAL NON-LABOR:	\$10,715.00			
TOTAL LABOR:	\$48,350.80			
TOTAL CRAFT COST:	\$59,065.80			
			TOTAL PROJECT COST	\$61,223.20

Item 3 – File 05-1609

Department: Mayor's Office of Housing (MOH)

Item: Resolution authorizing the Mayor's Office of Housing to submit an application to the California Debt Limit Allocation Committee to permit the issuance of Mortgage Credit Certificates.

Amount: Not to exceed \$20,000,000

Description: The proposed resolution would authorize the Mayor's Office of Housing (MOH) to submit an application, in an amount not to exceed \$20,000,000, to the California Debt Limit Allocation Committee (CDLAC) to permit the issuance of Mortgage Credit Certificates to first-time home buyers.

The Mortgage Credit Certificate (MCC) Program is designed to assist first-time home buyers in purchasing a single-family residence in San Francisco. The program is directed toward individuals and families who would not be able to purchase housing without receiving some financial assistance.

The MCC Program, which is a State-authorized program, provides assistance to first-time home buyers by allowing an eligible home purchaser to take an annual credit against Federal income taxes of a percentage of the annual mortgage interest payments on a single family residence or a duplex. The percentage rate is established by the MOH, but may not exceed 50 percent of the mortgage interest. A home buyer who is awarded an MCC, in addition to being eligible for taking a tax credit on a portion of the interest paid on the purchaser's mortgage, would also be able to deduct the remaining amount of the annual mortgage interest payments as an itemized deduction on the home buyer's Federal income tax return. By reducing the Federal income tax burden, the home buyer is left with increased disposable income with which to cover mortgage payments.

In September of 1993 the Board of Supervisors approved a resolution creating the City's MCC Program. As shown in

the Attachment, a memorandum from Mr. Matthew Franklin, Director of MOH, to date MOH has received 15 allocations from the CDLAC, to issue MCCs to 1,037 first-time home buyers for a total of \$162,454,336 in mortgage credits.

As described in the Attachment, the proposed resolution would authorize the MOH to submit an application to the CDLAC, the State agency which authorizes the mortgage credit certificates which can be issued by local government agencies, for an additional allocation of not to exceed \$20,000,000 in Single Family Private Activity Bond funds and converting that private-activity bond authority into Mortgage Credit Certificates using the Federal Internal Revenue Service's (IRS) conversion formula, resulting in not to exceed \$33,333,333 in MCCs. The proposed resolution, in compliance with CDLAC regulations, would (a) authorize the City to place 0.5 percent (one-half of one percent) of the requested \$20,000,000 allocation on deposit, in an amount not to exceed \$100,000, in connection with the submission of the application to the CDLAC, and (b) authorize the Director of the MOH to certify to CDLAC that such funds are available.

Comments:

1. According to Ms. Maggie Davis of MOH, the required \$100,000 deposit shall consist of a restriction of cash in the City's Home Ownership Assistance Loan Fund, which is cash accumulated from loan repayments by individuals participating in the City's First Time Homebuyers Bond Program. Ms. Davis states that the above-noted deposit is required by CDLAC to ensure that the State requirements for issuing the Mortgage Credit Certificates are met by MOH, including the requirement that a MCC be issued to a program recipient within 90 days of receipt of the allocation of MCCs from the State.

2. If CDLAC approves the subject proposed MOH application for an amount not to exceed \$20,000,000, which as previously noted would result in the issuance of \$33,333,333 in MCCs, the Attachment states that the City expects to assist an additional approximately 95 new first-time home buyers based on an average mortgage amount of approximately \$350,000.

3. The Attachment reports that, since 1994, the Board of Supervisors has approved resolutions authorizing the MOH to submit applications to the CDLAC, resulting in 15 actual allocations from CDLAC totaling \$130,666,977. The Attachment reports that, based on the IRS conversion formula, this has resulted in MCCs of \$182,802,046. As noted above, MOH has already issued 1,037 MCCs to first-time buyers for a total of \$162,454,336.

Recommendation: Approve the proposed resolution.

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO

Attachment



GAVIN NEWSOM
MAYOR

MATTHEW O. FRANKLIN
DIRECTOR

To: Harvey Rose, Budget Analyst
From: Matthew O. Franklin, MOH *MOH*
Subject: Mortgage Credit Certificate Program Resolution
Date: September 27, 2005

The Mortgage Credit Certificate Program Resolution authorizes the Mayor's Office of Housing (MOH) to apply to the State's California Debt Limit Allocation Committee (CDLAC) for Single Family Private Activity Bond funds of \$20,000,000. Using the IRS conversion formula, this amount equals \$33,333,333 in mortgage credits certificates at a rate of 15% and is projected to assist approximately 95 new first-time homebuyers with an average mortgage amount of \$350,000.

MOH has received 15 allocations from CDLAC since 1994 totaling \$130,666,977, which converted to MCCs equals \$182,802,046. This also includes the Extra Credit Home Purchase Programs MCCs, which is a separate program. To date, MOH has assisted 1,037 first-time homebuyers for a total of \$162,454,336 in mortgage credits.

The Mayor's Office of Housing will set aside one half of one per cent not to exceed \$100,000 from the Home Ownership Assistance Loan Fund as a performance deposit.

If you should have any additional questions, please feel free to contact me at 252-3177 or Maggie Davis of my staff at 252-3185.

Thank you.

Items 4 and 5 - Files 05-1460 and 05-1461

Departments: Department of Public Works (DPW), Bureau of Street Use and Mapping
Assessor-Recorder

Items: File 05-1460 is an ordinance amending the Subdivision Code Section 1315 to adopt new fees for air space maps, lot subdivisions, condominium conversions, parcel maps, lot merger and resubdivision maps, amended maps, lot line adjustments, lot mergers, certificates of compliance, certificates of correction, records of survey, and other mapping actions. The legislation also provides for an annual adjustment of such fees based on the relevant consumer price index, and makes environmental findings.

File 05-1461 is an ordinance amending the San Francisco Administrative Code by adding Section 8.24-6, to authorize the imposition of a \$10 grant deed recordation user fee and by adding Section 10.100-50, to create the County Surveyor's Survey Monument Preservation Fund for the deposit and collection of the fee. The legislation also amends the San Francisco Subdivision Code by adding Section 1340.1, to authorize the County Surveyor to use the proceeds collected from imposition of the fee to pay for the retracement or remonument survey of major historical vertical or horizontal land division lines, and makes environmental findings.

Comment: The Department of Public Works has requested that the subject items be continued to the October 13, 2005 meeting of the Budget and Finance Committee.

Recommendation: As requested by the Department of Public Works, continue Files 05-1460 and 05-1461 to the October 13, 2005 meeting of the Budget and Finance Committee.

Item 6 – File 05-0883

Department: Recreation and Park (RPD)

Item: Ordinance designating Precita Eyes Muralists as the sole source contractor for the art elements of the 24th and York Streets Mini Park and waiving the competitive procurement requirements of San Francisco Administrative Code Chapter 6 for these services.

Proposed Contract Amount: Not to exceed \$86,000

Description: The proposed ordinance would (a) authorize the Recreation and Park Department (RPD) to award a sole source contract to Precita Eyes Muralists to construct art elements, as described in Attachment I provided by Mr. Marvin Yee of RPD, at the 24th and York Streets Mini Park; and (b) waive the City's competitive procurement requirements for such contracted services. According to Mr. Yee, Precita Eyes Muralists is a non-profit organization that specializes in murals and other community art projects.

According to Mr. Yee, as stated in Attachment II, RPD wants to retain Precita Eyes Muralists on a sole source basis, without conducting a competitive bidding process, for the following reasons:

- Precita Eyes Muralists is active in the preservation of the murals surrounding the 24th and York Streets Mini Park;
- Precita Eyes Muralists was involved in the development of the renovation plan for this Mini Park as a neighborhood participant in the public process;
- Precita Eyes Muralists was instrumental in the planning and design of the significant elements of the Mini Park renovation plan;
- Precita Eyes Muralists is uniquely qualified to execute the art elements for the Mini Park; and
- The Lower 24th Street Neighborhood Association advocates that local artists, such as Precita Eyes Muralists, be involved in the construction of the Mini Park."

Budget:

As shown in Attachment I and the table below, the proposed \$86,000 sole source contract between RPD and Precita Eyes Muralists would cover the estimated costs of materials and labor for the art elements at the 24th and York Streets Mini Park at the identified costs:

Task to Be Performed by Precita Eyes Muralists	Materials and Labor Costs
Place mosaic tiles on a new snake sculpture	\$52,500
Fabricate and install abstract forms with lights	17,640
<i>SUBTOTAL</i>	<i>\$70,140</i>
Place mosaic tiles on a new lizard sculpture	15,750
<u>TOTAL</u>	<u>\$85,890*</u>
*Rounded to \$86,000	

Attachment I further explains that RPD intends to only utilize the professional services of Precita Eyes Muralists for the first two items, including placing mosaic tiles on a new snake sculpture and fabricating and installing abstract light forms, in the above scope of work, at an estimated total cost of \$70,140.

Comments:

1. According to Mr. Yee, Precita Eyes Muralists will operate as a subcontractor to construct the art elements described above and as described in Attachment I under a pending \$735,640 park renovation contract for the 24th and York Streets Mini Park. According to Mr. Yee, the amount of \$735,640 includes \$70,140 for the first two items described in the table above.

Mr. Yee advises that the \$735,640 for the pending park renovation contract, to be competitively bid, is included in RPD's FY 2005-2006 budget. According to Mr. Yee, the work pertaining to the placing of mosaic tiles on a new lizard sculpture, at an estimated cost of \$15,750, will not be undertaken unless an additional estimated \$15,750 is identified by the Department.

2. The Budget Analyst notes that the proposed ordinance, which is requesting Board of Supervisors authority to waive competitive bidding requirements, does not specify any contract amount. Therefore, the Budget

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Analyst recommends that this proposed ordinance be amended to specify a not to exceed amount of \$86,000 for the proposed sole source contract between RPD and Precita Eyes Muralists.

Recommendations:

1. In accordance with Comment No. 2, amend the proposed ordinance to specify a not to exceed contract amount of \$86,000, as follows:
 - On page 2, line 6, insert the following underlined text:
"to award a contract amount not to exceed \$86,000 to or otherwise"
2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.



City and County of San Francisco
Recreation and Parks Department

Attachment I
Capital Improvement Division
30 Van Ness Avenue., 5th Floor
San Francisco, CA 94102-6020

Phone: 415-581-2559 Fax: 415-581-2540
Web: parks.sfgov.org

Gavin Newsom, Mayor

Yomi Agunbiade, Acting General Manager

DATE: September 28, 2005

TO: Luke Klipp
Office of the Budget Analyst
Board of Supervisors

FROM: Marvin Yee
Project Director

RE: Proposed Ordinance

Per your request, below is additional information regarding the Recreation and Park Department's proposal to utilize the professional services of Precita Eyes Muralists as a sole source contractor on the renovation of 24th Street/York Mini Park:

Scope of Work (labor and materials) and Estimate

1. Place mosaic tiles on a new, concrete snake form - \$52,500
2. Fabricate and install abstract light forms - \$17,640
3. Place mosaic tiles on a new, concrete lizard form - \$15,750

TOTAL - \$85,890 (rounded off to \$86,000)

Please note that the Recreation and Park Department intends to only utilize the professional services of Precita Eyes Muralists for the first two items in the above scope of work. The third item will not be utilized unless additional available funds are identified by the Department.

Please feel free to contact me if you would like more information.



City and County of San Francisco
Recreation and Parks Department

Attachment II
Capital Improvement Division
30 Van Ness Avenue, 5th Floor
San Francisco, CA 94102-6020

Phone: 415-581-2559 Fax: 415-581-2540
Web: parks.sfgov.org

Gavin Newsom, Mayor

Yomi Agunbiade, Acting General Manager

DATE: September 27, 2005

TO: Luke Klipp
Office of the Budget Analyst
Board of Supervisors

FROM: Marvin Yee
Project Director

RE: Proposed Ordinance

The Recreation and Park Department proposes to utilize the professional services of Precita Eyes Muralists as a sole source contractor on the renovation of 24th Street/York Mini Park for the following reasons:

- Precita Eyes Muralists is active in the preservation of the murals surrounding the park;
- Precita Eyes Muralists was involved in the development of the renovation plan as a neighborhood participant in the public process;
- Precita Eyes Muralists was instrumental in the planning and design of the major park elements of the renovation plan;
- Precita Eyes Muralists is uniquely qualified to execute the art elements for the park; and
- The Lower 24th Street Neighborhood Association advocates that local artists, such as Precita Eyes Muralists, be involved in the construction of the park.

Please feel free to contact me if you would like more information.

Item 7 - File 05-0916

Departments: Public Utilities Commission (PUC)
Department of the Environment (ENV)
Local Agency Formation Commission (LAFCO)

Item: Resolution submitting Policy and Program Recommendations for a Community Choice Aggregation (CCA) Program and approving a CCA Implementation Plan.

Background: On May 11, 2004 the Board of Supervisors approved an ordinance establishing a Community Choice Aggregation (CCA) Program to purchase electrical power directly for San Francisco residents and businesses and to accelerate renewable energy, conservation, and energy efficiency programs (Ordinance 0086-04). This ordinance required the PUC and ENV to jointly prepare and submit a CCA Implementation Plan (IP) to the Local Agency Formation Commission (LAFCO). AB 117, the State legislation enabling municipalities in California to become community choice aggregators, outlines what must be included in such an IP for submittal to the California Public Utilities Commission (California PUC). The California PUC then reviews and certifies the IP, thus allowing the City to begin purchasing power on behalf of its residents and businesses.

The PUC and ENV submitted a draft IP to LAFCO on April 27, 2005, as required by Ordinance 0086-04, and Local Power, a non-profit organization, submitted a draft IP to LAFCO in April of 2005. On May 13, 2005, LAFCO accepted and transmitted Local Power's draft IP, as amended by LAFCO, to the Board of Supervisors (File 05-0916). Following the transmittal to the Board of Supervisors of Local Power's draft IP, LAFCO held a series of hearings during the months of June, July, and August of 2005 to resolve the differences between Local Power's draft IP and the PUC/ENV draft IP. The product of these hearings was a resolution submitting LAFCO's policy and program recommendations for the City's CCA Program to the Board of Supervisors (File 05-1417).

On September 15, 2005 the Budget and Finance Committee heard both of these CCA resolutions (Files 05-0916 and 05-1417). The Committee requested that these two files be merged into the proposed subject resolution (see Comments Nos. 1 and 2).

**One-Time and
Start-Up Costs:**

As further described below, the total one-time start-up costs for the implementation of a CCA Program is currently estimated to be between \$8,871,316 and \$12,100,948. This amount represents the estimated costs to be incurred by the City prior to revenues from power sales being realized by the City. Potential sources of funds to pay for these proposed one-time start-up costs are described in a later section of this report.

The Budget Analyst notes that there are a number of fundamental issues related to the CCA Program's governance and functions that have yet to be decided. These issues may have a significant impact on the budget for CCA implementation, and are described further in Comments Nos. 1, 2 and 3. Therefore, the Budget Analyst has included recommendations at the end of this report that the Board of Supervisors amend the subject resolution in order to clarify these issues.

At the September 15, 2005 Budget and Finance Committee meeting, Local Power submitted a budget containing the estimated one-time start-up costs to implement its draft IP. Attachment VI, submitted by Mr. Paul Fenn of Local Power, summarizes this budget. Table 1 below, compiled by the Budget Analyst and based on information in Attachment VI, shows that the one-time, start-up costs of the CCA Program implementation would be \$12,100,948.¹

¹ Note that this total budget figure and the figures in Table 1 differ somewhat from Local Power's proposed program budget presented in the September 15, 2005 Budget and Finance Committee. The Budget Analyst requested information from Mr. Fenn supporting Local Power's proposed program budget that was presented on September 15, 2005. When such information was submitted to the Budget Analyst on Friday, September 23, 2005, the budgeted amounts differed somewhat from the data previously presented to the Budget and Finance Committee.

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**Table 1: Summary of Local Power's Proposed One-Time Start-Up Budget
 for the CCA Program**

Phase	Work to be Done by Program Director (see Comment No. 1)	Work to be Done by PUC *	Total Budget
Start-Up	\$ 508,536	\$ 207,788	\$ 716,324
Program Development	1,653,372	1,976,016	3,629,388
Procurement	2,370,312	1,122,377	3,492,689
Basic Service Implementation	1,628,160	2,634,387	4,262,547
Total	\$6,160,380	\$ 5,940,568	\$12,100,948

* Note that this is Local Power's proposed budget for the work to be done by the PUC, and the above figures have not been generated or analyzed by the PUC. The Budget Analyst also notes that the annual salaries used to generate the budget amounts for PUC staff work are based on the City's Annual Salary Ordinance. According to Mr. Fenn, the compensation rates for the work done by the Program Director are based on the current market rates for comparable work.

The Budget Analyst also requested the PUC to provide a detailed CCA implementation budget based upon the policy and program recommendations contained in the subject resolution. The following Table 2, compiled by the Budget Analyst, based on information provided by PUC Power Enterprise staff, summarizes the PUC's preliminary proposed one-time start-up budget for a CCA Program.

Table 2: Summary of PUC's Preliminary One-Time Start-Up Budget for the CCA Program (Based on LAFCO Policy and Program Recommendations)

Activity	Estimated Cost
Implementation Plan Finalization*	\$ 240,000
Customer Data Updates*	10,000
Request for Proposals*	150,000
Customer Call Center	250,000
PG&E Service Fees**	838,508
Communications Budget	4,350,000
Upgrades to Customer Care Center Facilities	750,000
Subtotal	\$6,588,508
Minimum Start-Up Staffing ***	2,282,808
Total at 50% Staffing Cost	\$8,871,316
Maximum Start-Up Staffing ***	3,424,213
Total at 75% Staffing Cost	\$10,012,721

*These items are all currently funded in FY 2005-2006, for a total of \$400,000 in professional services contracts.

** According to Mr. Joe Como from the City Attorney's Office, this amount may change as a result of forthcoming decisions to be made by the California PUC (docket R.03-10-003).

*** The PUC's proposed program budget assume hiring 27 FTEs for the implementation of the CCA Program, the majority of which will be required prior to full implementation in the "staffing up" period. However, PUC Power Enterprise staff state that because it is still too early to precisely calculate how much in advance of full implementation each FTE will be needed and because of the many unknowns related to the CCA implementation timeline, the PUC provided two preliminary start-up staffing estimates, ranging between \$2,282,808 to \$3,424,213. PUC Power Enterprise staff advise that the second estimate includes staffing for energy efficiency and marketing efforts. Attachment V provides a fuller discussion of the start-up costs for staffing, including the assumptions behind them.

As shown in Table 2 above, the total estimated costs for CCA implementation, as proposed by the PUC, would be between \$8,871,316 and \$10,012,721. Also as noted in the footnote to Table 2, the PUC's proposed budget includes \$400,000 in funds that were previously appropriated by the PUC for CCA in FY 2005-2006. Therefore, the additional new funding required to implement the PUC's proposed program budget is between \$8,471,316 and \$9,612,721.

PUC Power Enterprise staff provided the following supporting documentation related to the PUC's preliminary proposed CCA Program budget:

- (a) Attachment I includes a summary of estimated one-time activities and costs (excluding staffing);
- (b) Attachment II includes start up costs (including start-up staffing costs and customer call center upgrade costs);
- (c) Attachment III includes a more detailed estimate of the communications budget included in Attachment I;
- (d) Attachment IV, includes the PUC's FY 2005-2006 budget and expenditure plan for CCA; and,
- (e) Attachment V includes an accompanying memo further describing Attachments I, II, III and IV.

Attachment V states that the PUC has assumed funding for energy efficiency marketing efforts which will be obtained externally² of the CCA Program's budget, and therefore, these costs are not included in the PUC's proposed budget. According to Attachment V, if the final IP requires significant energy efficiency marketing efforts directed at individual customers without a source of external funding, it would result in start-up staffing costs significantly higher than those presented in Table 2 above. The PUC's table at the bottom of Attachment II estimates these energy efficiency marketing costs to be \$4,707,614 on an annual basis, representing 29 FTEs. The Budget Analyst notes that this is a significant omission from the PUC's proposed CCA Program budget. These energy efficiency marketing costs should be included in the PUC's total proposed CCA Program budget if the PUC believes that these functions would be necessary.

The Budget Analyst notes that the PUC's proposed budget also does not include consideration for costs associated with office space for new PUC staff. In response to Budget Analyst inquiries regarding benchmarks or analyses for the PUC's staffing allocations, PUC Power Enterprise staff advise that the PUC's

² Attachment V states that a potential external source of funding for energy efficiency marketing efforts would be from "Public Goods Surcharge" monies currently paid by San Francisco ratepayers to PG&E.

consultant, the Structure Group, provided staffing recommendations, based on similar work which the consultant has performed for electricity service providers in other parts of the country.

**Comparing the PUC
and Local Power
Proposed One-Time
Start-Up Costs:**

The proposed budgets from Local Power and the PUC are relatively similar in magnitude. Whereas Local Power's proposed CCA program budget is \$12,100,948, the PUC's preliminary proposed budget ranges between \$8,871,316 and \$10,012,721 (not including the value of existing PUC staff working on CCA implementation during FY 2005-2006).

The Budget Analyst notes that the budgets proposed by Local Power and PUC have significant differences. These two reported budgets assume different governance structures, have different staffing plans, utilize different timelines, and allocate different amounts of time and resources to the program functions (see Comments Nos. 1 and 2).

Program Activities - The Budget Analyst notes that some of the tasks/activities are only found in one of the two proposed budgets, and each budget bundles and names the implementation tasks and program activities differently. As a result, a comparison of these two budgets is exceedingly problematic.

The following Table 3, compiled by the Budget Analyst, from data provided by Mr. Fenn, and from Attachments I and II, summarizes four of the significant differences in estimated costs between the Local Power and PUC budgets for the performance of comparable program activities:

Table 3: Examples of Differences Between Budgeted Amounts for the Performance of CCA Program Activities

Start-Up / One-Time Activity	PUC's Proposed Budget	Local Power's Proposed Budget*
Communications and Marketing	\$4,350,000	\$2,126,320
Finalize IP	240,000	153,756
RFI/RFQ/RFP Preparation	150,000	1,318,752

*As previously noted, the Local Power's proposed CCA Program budget divides the total budgeted amount, which is shown in Table 1, into a budget for the PUC and a budget for the Program Director. These subtotals are not reflected in the Table 3 for simplicity's sake.

** According to Mr. Como, this number may change as a result of forthcoming decisions to be made by the California PUC (docket R.03-10-003).

Notably, as shown in Table 3, and according to Mr. Fenn, whereas Local Power's proposed budget calls for \$2,126,320 to be expended for communications/opt out notifications³ and marketing, the PUC's proposed communications budget provides for \$4,350,000 (see Table 2). According to PUC Communications staff, the communications budget for CCA needs \$4,350,000 because the financial success of the CCA Program will rely a great deal on clearly communicating to customers the details of the CCA Program, so as to decrease customers opting-out of the CCA Program based on lack of information about it. Attachment III provides more detail related to the PUC's proposed communications budget.

PUC Power Enterprise staff advise that some of the activities listed in the Local Power proposed program budget details that are not explicitly broken down in the PUC's proposed budget details (such as the development of financial management systems and the development, as needed, of a low income assistance program) are nevertheless extremely useful and should be incorporated into the final CCA Program IP.

Staffing - Attachment VII, compiled by the Budget Analyst with information provided by Mr. Fenn, details Local Power's proposed preliminary start-up staffing plan for CCA Program. As noted above, Attachment II shows the PUC's proposed preliminary start-up staffing for the

³ According to State law, a CCA must provide all potential customers four notices providing them the opportunity to "opt out" of getting their electricity from the City's CCA.

CCA Program. Attachment II shows that the PUC's proposed budget includes 27 staff positions for CCA Program start-up, whereas Attachment VII shows that Local Power's budget includes 44 staff positions, 23 in the Program Director and 21 in the PUC. The Budget Analyst notes, however, that the 23 positions that are part of the Program Director budget will not be City staff positions. Therefore, PUC's preliminary budget includes 17 fewer (44 less 27) total staff positions and 6 more (27 less 21) PUC staff positions than Local Power's proposed budget. As previously noted, the PUC's proposed staffing plan does not include the 29 positions that would be potentially hired for energy efficiency marketing purposes.

In addition to the significant differences between the staffing numbers of the budgets proposed by Local Power and the PUC, there are significant differences between the functions these staff would perform. The PUC's proposed staffing plan includes staff that would be in charge of the customer service and call center functions. Local Power's draft IP and proposed staffing plan does not include these functions, which are assumed to be contracted out.

PUC Power Enterprise staff state that this function should be performed in an in-house civil service capacity and not through an outside contract because the PUC believes that the "public face" of CCA and a sense of City accountability are important to the success of the CCA Program. PUC Power Enterprise staff explained that this sense of public accountability is initially the responsibility of the customer service function during the marketing and opt-out phase of implementation, and, therefore, the PUC plans to incorporate the customer service and call center functions in-house. However, the PUC Power Enterprise staff also stated that they are preparing for any unforeseen needs related to customer care and call center functions by including a contingency of \$250,000 in the proposed CCA program budget for such purposes, which could be used for professional services contracts to augment PUC staffing.

Implementation Timeline - In addition to having very different budget descriptions, activities, and staffing plans, the two proposed program budgets also employ significantly different assumptions about the implementation schedule and order of implementation activities. The Budget Analyst requested the PUC to provide a CCA Program implementation schedule based upon the policy and program recommendations contained in the subject resolution. Attachment VIII, provided by PUC Power Enterprise staff, is the PUC's proposed timeline for the implementation of CCA. As shown in Attachment VIII, the PUC's proposed implementation timeline begins in October of 2005 and ending with service provision in June to August of 2007. The PUC Power Enterprise staff advises that delays, such as delays in a decision regarding the CCA Program's governance structure and funding mechanism, will create commensurate delays in its timeline.

Local Power's proposed program budget includes a timeline for the implementation of the CCA Program, which is included as Attachment IX to this report. As shown in Attachment IX, the Local Power Program Budget implementation timeline is broken down into four phases, beginning in November of 2005 and ending with service provision in April of 2007.

One notable difference in the two timelines is the timing of the Request for Information (RFI) and Request for Qualifications (RFQ) (see Comment No. 4 below). According to PUC Power Enterprise staff, the PUC wishes to initiate the RFI/RFQ process as soon as possible because many unknowns about the structure and viability of the CCA Program will likely be answered through responses the PUC receives to the RFI/RFQ. The PUC's proposed timeline in Attachment VIII circulates the RFI/RFQ to energy suppliers in December of 2005. The Local Power implementation timeline has the RFI/RFQ being issued in late March of 2006.

Costs in FY 2005-2006 - According to the PUC's proposed budget, the City will not incur any additional costs in the current fiscal year by approving the subject resolution. Attachment IV, submitted by PUC Power Enterprise

staff, shows the PUC's FY 2005-2006 budget for CCA-related activities, including 3.63 FTEs and \$400,000 in professional services contracts. According to Attachment IV, \$1,315,668 is budgeted from the net operating revenues of the Hetch Hetchy Enterprise Fund for CCA-related activities in FY 2005-2006. Attachment IV also shows the PUC has expended \$228,917 to date of the \$1,315,668 total. The same Attachment provides a PUC expenditure plan for the remaining \$1,086,751 (\$255,417 plus \$453,917 plus \$377,417). PUC Power Enterprise staff advise that the PUC does not anticipate needing any supplemental funding in FY 2005-2006 to continue the PUC's proposed progress toward CCA implementation. However, the Budget Analyst questions whether the PUC has the staffing capacity to complete all of its proposed FY 2005-2006 activities with its current level of staffing, given that the PUC proposes staffing up to 27 positions (or 56 positions, including the 29 energy efficiency marketing positions noted above which have been omitted from the PUC proposed CCA Program budget) in FY 2006-2007 and yet currently only has 3.63 FTEs budgeted.

Although the approval of the proposed subject resolution does not mandate the expenditure of additional funding in the current fiscal year, if the final IP utilizes Local Power's proposed program budget, governance structure, and implementation timeline (see Comments Nos. 1 and 2), then additional funding will be needed in the current fiscal year. Local Power's proposed program budget has the City completing the Start-Up Phase, Program Development Phase and the RFQ/RFI and RFP portions of the Procurement Phase by approximately the end of FY 2005-2006, at a total cost of approximately \$5,570,915.

As previously mentioned and as shown in Attachment IV, the PUC has an unexpended FY 2005-2006 staffing and professional services budget of \$1,086,751 (\$1,315,668 less \$228,917) as of the end of the first quarter of the Fiscal Year, or as of October 1, 2005. The Budget Analyst notes that, if the PUC were to use all of the remaining FY 2005-2006 budgeted CCA amount for implementing Local Power's proposed program budget according to the timeline specified, a supplemental appropriation of

\$4,484,164 (\$5,570,915 less \$1,086,751) would be required in FY 2005-2006 to implement the Local Power draft IP.

Costs in FY 2006-2007 and Beyond - The Budget Analyst notes that, in both the Local Power and PUC budgets described above, significant new funds will be required in FY 2006-2007 to cover the start-up and one-time costs of implementing the CCA Program. Local Power's proposed implementation timeline ends in April of 2007, whereas the PUC timeline ends in June to August of 2007, as shown in Attachments VIII and IX. Therefore, the PUC's proposed timeline, and not Local Power's, would have one-time start-up expenses incurring in FY 2007-2008 as well as in FY 2006-2007.

The following Table 4 summarizes the new funding that would be required to pay for the anticipated one-time start-up costs in the two proposed budgets for the CCA Program.

Table 4: New Funds Required for One-Time Start-Up Costs

	PUC's Proposed Budget	Local Power's Proposed Budget
FY 2005-2006	\$0 *	\$4,484,164 **
Some of activities paid for by proposed budget	IP finalization, circulation of RFI/RFQ and RFP (currently budgeted in FY 2005-2006)	IP finalization, develop program elements, circulation of RFI/RFQ and RFP, development of conservation measures
FY 2006-2007 and beyond	\$8,471,316 to \$9,612,721	\$6,530,033
Some of activities paid for by proposed budget	Evaluation of bids, award of contract, communications and marketing, opt-out processing	Evaluation of bids, award of contract, communications and marketing, opt-out processing, financial management system, Proposition H bond issuance

* Note that the PUC's budgeted expenses for FY 2005-2006 are not included in Table 4 because these funds have been previously appropriated for FY 2005-2006, and, as previously noted, the PUC claims that it will not require any additional funding in FY 2005-2006 to continue its proposed start-up CCA activities in FY 2005-2006.

** Assumes the inclusion of unexpended PUC FY 2005-2006 staffing and professional services budget of \$1,086,751.

Funding Sources For One-Time

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Start-Up Costs:

The Budget Analyst requested that the PUC identify potential funding sources which the City could utilize to pay for the one-time start-up costs of a CCA Program. According to PUC Power Enterprise staff, and as further explained in Attachment V, the PUC foresees three potential funding mechanisms for the one-time and start-up costs for the PUC's proposed CCA Program. They are:

- (a) **Hetch Hetchy Enterprise Net Operating Revenues** – The existing FY 2005-2006 PUC budget for CCA work is paid for with Hetch Hetchy Power Enterprise Net Operating Revenues. These revenues are derived from the sale of electricity to wholesale customers and City departments minus expenditures for the provision of electric services. The total FY 2005-2006 operating budget for the Hetch Hetchy Power Enterprise is \$109,734,558.

If the Board of Supervisors chooses to use that funding source, the Board could make arrangements to repay the amount taken from the Hetch Hetchy Enterprise Fund using net CCA operating revenues to be realized from surcharges charged to ratepayers. In such a scenario, the City could amortize the payments over several years to soften the impact on ratepayers. However, the Budget Analyst notes that, as of the writing of this report, it is uncertain as to whether the revenues realized from electricity rates will be sufficient to repay Hetch Hetchy.

The Budget Analyst notes that the Board of Supervisors does not have sole jurisdiction over the Hetch Hetchy Power Enterprise Net Operating Revenues, but, rather, the PUC must first approve the use of this funding source during its annual budget process. Therefore, it is unclear if this funding source would be made available by the PUC.

- (b) **General Fund Revenues** – If the Board of Supervisors wishes to fund some of the CCA Program one-time start-up costs in FY 2005-2006, the Board could appropriate revenues from the FY 2005-2006 General Fund Reserve, which was budgeted at \$24,260,750.

If the Board of Supervisors chooses to appropriate General Fund Reserve monies, as an advance to pay for one-time start-up costs, the Board could make arrangements to repay the amount advanced by the General Fund using future potential CCA net operating revenues from surcharges charged to ratepayers. In such a scenario, the City could amortize the payments over several years to soften the impact on ratepayers. However, the Budget Analyst notes that, as of the writing of this report, it is uncertain as to whether the revenues realized from electricity rates will be sufficient to repay the General Fund.

- (c) **Loan from Wholesale Electricity Supplier** – This funding source is hypothetical and depends on the responses the City receives from the RFI/RFQ and RFP processes (see Comment No. 4). If this funding source does turn out to be available, the City could borrow the funds from the electricity service provider necessary to pay for some or all of its start-up and one-time costs. The Budget Analyst notes, however, that the availability of this funding mechanism will not be known until a later time because such information would be obtained through the RFI/RFQ and RFP processes (see Comment No. 4). Further, according to both proposed timelines of both Local Power and the PUC, some of the start-up and one-time costs would be incurred prior to when responses from the RFP would be received by the City and prior to when a contract would be awarded.

Ongoing Costs:

Regarding ongoing costs (in addition to the one-time start-up costs discussed above), Local Power did not provide a budget for the ongoing costs for the CCA Program. The Budget Analyst calculates, using information from Attachment II, that the preliminary PUC estimates for the ongoing PUC staffing costs for a CCA Program (including overhead) would be \$5,596,946 annually. As noted above, this figure does not include the estimated \$4,707,614 in annual costs for energy efficiency marketing efforts, which have been omitted from the PUC proposed CCA Program budget.

However, it should be noted that this preliminary PUC staffing plan and budget for ongoing CCA operations represents a normal operating year and does not provide for any unexpected contingency needs or funding to create necessary reserves. Also, as previously mentioned, the PUC's proposed budget does not include detailed consideration for costs associated with office space for new PUC staff. Finally, it should be noted that this staffing/budget is preliminary in nature and has not been reviewed by the various PUC organizational units that would be involved in CCA Program staffing.

**Funding Source
For Ongoing Costs:**

Ongoing costs for the CCA Program would be included in the rates to be paid by CCA customers comprised of San Francisco residents and businesses. The subject resolution states that the RFP specifications should provide that the City has the final authority to establish the actual electricity rates to be charged to CCA customers, via an Electricity Rate Fairness Board or similar entity. However, the subject resolution also includes the recommendation made in the Local Power draft IP, which establishes electricity rates based upon the rate structure recommended by the bidder chosen through the RFP process to provide the electrical power to CCA customers. This is one of the various internal inconsistencies in the subject resolution which the Budget Analyst is recommending that the Board of Supervisors address (see Comment No. 2).

**Long-Term Fiscal
Viability and Rates:**

Although the estimated reported one-time start-up costs of up to \$12,100,948 for CCA implementation are significant, they are small relative to the estimated ongoing revenues that are projected to be realized by implementing a CCA Program. According to PUC Power Enterprise staff, the CCA Program revenues are expected to exceed \$200,000,000 a year, an amount almost as much as the combined sewer and water revenues from City residents and businesses.

The financial viability of the CCA Program is still largely unknown and depends upon a number of factors (see

Comment No. 6 “Major Variables Affecting Long-Term Fiscal Impact and Customer Rates”). Under some scenarios studied by Altos, a consultant retained by the PUC at a cost of approximately \$120,000, the City’s proposed CCA Program “has a reasonable prospect of offering customers a combination of reasonable priced, cleaner energy, and lower fossil fuel rate risk to its citizens.” In the best case scenario, the CCA offers the prospect of savings of \$700 million over 30 years, although there would be projected deficits from 2006 through 2008. “Savings,” according to PUC Power Enterprise staff, is the decrease in the CCA’s costs of supplying electricity as compared to PG&E’s costs. PUC Power Enterprise staff advises that a portion of these savings will likely be used in the provision of an incentive package to the electricity service provider.

According to PUC Power Enterprise staff, a crucial assumption regarding the savings mentioned above is that the City must contract with a supplier having consistently superior abilities at purchasing and trading electricity on the market. However, according to the PUC/ENV draft IP, “In all cases, in the early years through 2008 or 2009, it is reasonably likely that CCA customer bills would exceed those of equivalent Pacific Gas and Electric (PG&E) bills. During the period of 2009-2010, it is estimated that CCA customer bills would show small savings over PG&E, and after 2010 CCA customer bills could be consistently lower due both to the performance of the City’s supplier and the City’s investment in a commercially available renewable power project – which at this juncture appears to be a wind project.”

According to PUC Power Enterprise staff, the PUC has recently committed an additional \$26,500 in FY 2005-2006 for the extension of an existing professional services contract with Altos, the consultant who prepared the report discussed above, which will purportedly further improve the modeling capability of the short- and long-term financial analyses.

Comments:

1. Unclear Governance Structure

According to Mr Joe Como of the City Attorney's Office, the City Attorney's Office interprets the City's Charter to mean that "the PUC has exclusive jurisdiction over the implementation of the CCA Program because it is an energy supply and utility of the City." The subject resolution acknowledges that legal opinion. However, the proposed resolution also simultaneously recommends the Local Power draft IP, which utilizes a governance structure of a "Program Director," which would be an outside contractor that would initially serve as the lead entity implementing the CCA Program. According to the Local Power IP, the Program Director would lie outside of the PUC and would be directly accountable to the Board of Supervisors, not the PUC. The Program Director structure would, according to Mr. Fenn, be a contract awarded by the Board of Supervisors with a private entity. Mr. Fenn advises that the contract with the Program Director would be most work-intensive in the first two years, and would phase out after the duration of approximately five years.

The Budget Analyst notes that the proposed resolution is not clear about whether the PUC or a combination of the PUC and the Program Director (outside contractor) has the authority to implement CCA. Mr. Como advises that this is one of the most significant issues with the subject resolution. This point is relevant to the Budget Analyst's fiscal analysis of the proposed CCA Program budgets because: (1) there are two competing budgets under consideration that have been submitted on behalf of the subject resolution that rely on significantly different organizational and staffing structures, and (2) the potential sources of funding may differ under different governance scenarios. For example, if the CCA Program is started up using Hetch Hetchy funds, it is unclear if an outside contractor, serving as the Program Director, that is under the authority of the Board of Supervisors, and not accountable to the PUC, can obtain authorization to utilize such funds.

According to Ms. Gloria Young, Executive Officer of LAFCO, at the September 9, 2005 LAFCO meeting, LAFCO voted to retain outside legal counsel to provide

additional advice regarding, among other things, the issue of CCA governance as well as the use of Proposition H bond financing (see Comment No. 6 for more discussion of Proposition H bond financing). The draft contract with outside counsel states that the outside legal counsel will provide "an opinion interpreting the Charter for the City and County of San Francisco and its interaction with the Community Choice Aggregation statutes of the State of California with respect to CCA governance and organization; including providing an opinion regarding governance advantages and disadvantages." According to Ms. Young, this contract for outside legal counsel, at a cost of \$25,000, is still under negotiation. Ms. Young advises that three firms were contacted to respond to the request for outside legal counsel services, and no final choice has yet been made. Ms. Young further advises that it is anticipated that the contract with outside legal counsel will be executed by October 3, 2005, and it is not known when the work will be completed.

The Budget Analyst recommends that the Board of Supervisors resolve this central issue of governance as soon as possible, and certainly prior to the submission of a final IP to the California PUC. The Budget Analyst notes that the Board of Supervisors could choose among a number of courses of action at this juncture. It could: (a) follow the City Attorney's opinion that the PUC has exclusive jurisdiction over the implementation of the CCA, (b) wait for the legal opinion on this matter to be provided by outside counsel at the next LAFCO meeting on October 21, 2005, or (c) decide, as a policy matter, how the CCA Program should be governed. This decision should be clearly reflected in the subject resolution (see Recommendation No. 1).

2. Inconsistencies Between the Subject Resolution's Recommended IP and the Subject Resolution's Policy and Program Recommendations

The Budget Analyst notes that the subject resolution both (a) recommends a specific IP submitted by Local Power and (b) makes general policy and program recommendations that are not consistent with the recommended Local Power IP. The Budget Analyst asked the City Attorney's Office to explain this contradiction. In

response, Mr. Como stated: “The resolution recommends that the Board of Supervisors adopt the Local Power draft IP and submit it to the California PUC for approval. However, at the same time, the resolution makes program changes that are not in the Local Power draft IP.”

The following Table 5, compiled by the Budget Analyst with input from Mr. Como, summarizes some, but not necessarily all, of the key differences between the Local Power draft IP and the subject resolution’s policy and program recommendations.

Table 5: Differences Between the Local Power Draft IP and the Subject Resolution’s Policy and Program Recommendations

Policy or Program Component	Local Power Draft IP	Subject Resolution’s LAFCO Policy and Program Recommendations
Jurisdiction (see “Unclear Governance” above)	Program jointly run by non-City Program Director (outside contractor) and PUC; accountable to Board of Supervisors	Unclear
City Staffing	Majority of program staffing done by outside contractor	City staffs, on an internal basis, energy efficiency and public interface functions
Rate-Setting	Rates are decided upon through contract with electricity service provider and must “meet or beat” PG&E rates; no public process	Rate fairness board would be used that would “meet or beat” existing level of public due process
Number of Contractors	One	Does not limit
Amount of Renewables *	360 Megawatts (MW)	Goal of 360 MW, but not mandatory; states that the amount would depend on the economics
Types of Renewables	Focus on “distributed” renewable generation (such as solar panels on City rooftops)	Mentions both distributed renewable generation and larger-scale renewable projects, such as wind farm
City Contracting Requirements Incorporated (i.e. MBE, WBE, etc.)	No	Yes
Job Creation in San Francisco Incorporated	No	Yes

* “Renewables” refers to energy obtained through renewable sources, such as energy generated by wind or solar.

Because there are a significant number of points of difference between the Local Power draft IP and the subject resolution's LAFCO policy and program recommendations, the Budget Analyst recommends that the Board of Supervisors amend the subject resolution to clarify its opinions with regard to the differences between the Local Power draft IP and the subject resolution's policy and program recommendations (see Recommendation No. 2).

3. Unclear Next Steps

The Budget Analyst notes that, although (a) the PUC and ENV submitted a draft IP, as required by Ordinance 0086-04, and (b) the subject resolution makes frequent mention of the PUC/ENV draft IP, the PUC/ENV draft IP is currently not being considered under the proposed subject resolution. The Budget Analyst requested the City Attorney's Office to explain this situation, and, in response, Mr. Como stated: "Ordinance 0086-04 called for PUC and ENV to submit an IP for review and approval by the Board of Supervisors, but the subject resolution is silent on what happens to the draft IP submitted by PUC/ENV."

Moreover, the Budget Analyst notes that there is confusion among City departments that are working on the CCA Program as to the next step in the process if the subject resolution is approved by the Board of Supervisors. The Budget Analyst requested the opinion of the City Attorney regarding this question. Mr. Como, in response, stated that "The subject resolution is silent on how the resolution's recommendations get incorporated into a final IP or who does them (PUC/ENV or Local Power)... State law requires the Board of Supervisors to approve the IP that goes to the CPUC, so I believe that the Board of Supervisors would have to see the final IP after all of the policy guidance from the resolution is incorporated into the IP."

Therefore, the Budget Analyst recommends that the subject resolution be amended by the Board of Supervisors to clarify how and which of LAFCO's policy and program recommendations are to be incorporated into the final IP (see Recommendations Nos. 3 and 4).

4. RFI/RFQ

The subject resolution states that a Request for Information (RFI) or a Request for Qualification (RFQ) process may be undertaken prior to preparation of the RFP in order to determine the interest and variety of potential bidders on the RFP to serve as the energy supplier. According to PUC Power Enterprise staff, an RFI/RFQ should provide the responses from potential electricity providers and others that will assist in evaluating CCA viability. PUC Power Enterprise staff stated that the PUC intends to issue an RFI/RFQ as early as November of 2005. PUC Power Enterprise staff advise that it is highly preferable for the RFI/RFQ process to be undertaken as soon as possible, given the need to receive and analyze responses in the third quarter of FY 2005-2006, so that the information can be incorporated into the City's and/or the PUC's FY 2006-2007 budgets. Local Power's program budget proposes that an RFI/RFQ process take place in April of 2006, primarily under the direction of the Program Director (outside contractor), not the PUC (see Comment No. 1 "Unclear Governance" above).

The Budget Analyst recommends that the subject resolution be amended to request the City, either the PUC or Program Director (outside contractor), as decided by the Board of Supervisors, to undertake a RFI/RFQ process as soon as possible, preferably prior to the end of the second quarter of FY 2005-2006, so that the information gained can be used to plan for the FY 2006-2007 budget (see Recommendation No. 5).

5. Future Actions for the Board of Supervisors

According to Mr. Como, by approving the proposed resolution, the Board of Supervisors recommends the submission of the Local Power draft IP to the California PUC and recommends LAFCO's program and policy recommendations. Mr. Como states that the subject proposed resolution does not provide a mechanism for the LAFCO policy and program recommendations to be incorporated into the Local Power draft IP. Should the Board of Supervisors approve the subject resolution and submit a final IP to the California PUC for certification, the City is still not obligated to implement the IP. Mr.

BOARD OF SUPERVISORS

BUDGET ANALYST

Como advises that the Board of Supervisors must hold a public hearing on the State-certified IP and approve a separate ordinance to implement such an IP. In accordance with Charter section 9.118, the Board of Supervisors will have to approve such contracts with a term of greater than 10 years or with expenditures greater than \$10,000,000. This may include several of the potential contracts that will have to be awarded to support the CCA Program.

Some of the next stages at which the Board of Supervisors will be required to approve CCA legislation include: the approval of the final RFP, the approval of the contract(s) with the electricity service provider(s), and the appropriation of CCA Program funds by the Board of Supervisors. As noted above, the contract(s) with the electricity service provider(s) may be subject to Board of Supervisors approval.

According to Mr. Como, approval of the subject resolution does not necessarily pose any increased liability to the City at present because the City can withdraw from CCA implementation at any time up until a contract is signed with an energy service provider. PUC Power Enterprise staff note, however, that it is possible that the City may not be able to enter into a contract with an energy service provider if satisfactory responses to the RFP are not received.

6. Major Variables Affecting Long-Term Fiscal Impact and Customer Rates

As noted above, the financial viability of the CCA Program is still largely unknown and depends upon a number of factors. Some of the major variables are:

(a) *California PUC Rulings* - The California PUC has yet to determine the Cost Recovery Surcharges (CRS)⁴, set the costs PG&E will be allowed to charge CCAs for services (such as customer billing), and establish the level of commitment a city must demonstrate for PG&E to no

⁴ According to PUC Power Enterprise staff, pursuant to AB 117, cost recovery surcharges (CRS) are expenses the California PUC will charge San Francisco CCA customers to pay a share of the unavoidable costs of power contracts that were entered into by the State and PG&E, so that PG&E's remaining customers are no worse off due to CCA implementation by the City.

longer procure electricity for city customers. After these determinations are made, likely in December of 2005, it will be possible to have a clearer understanding of the fiscal viability of the City's CCA Program.

(b) *Customer Mix* - State law requires that CCAs offer service to all residential customers. However, the inclusion of commercial customers can make a CCA more fiscally sound. The subject resolution states the City intends to offer service to all classes of customers, including San Francisco residents and businesses. However, the number of commercial customers who will choose CCA electricity service is unknown, and will largely depend upon the electricity price which the CCA will be able to offer. Substantial opt-out by larger commercial electricity customers presents a substantial risk to the economic success of the CCA. According to PUC Power Enterprise staff, one percent of the CCA's potential accounts consumes 50 percent of the potential CCA electric consumption. The customers comprising this one percent are businesses that are large electricity consumers. Therefore, as previously noted, PUC Power Enterprise staff advises that one of the most important ways to ensure that as few customers as possible choose to opt-out of CCA is through a thorough communications campaign to all residents and businesses in San Francisco, with a strong emphasis on targeted outreach to the largest electricity consumers.

(c) *Trading Abilities of Supplier* - According to the PUC/ENV draft IP, to achieve the long-term CCA goals, the City must successfully implement the CCA Program with a supplier with consistently superior trading abilities.

(d) *Proposition H Bond Financing* - In 2001 San Francisco voters approved Proposition H, amending the City Charter to give the Board of Supervisors authority to issue revenue bonds to develop renewable energy facilities and to implement conservation in both the public and private sectors. The subject resolution calls for the use of this bond fund mechanism to invest in large-scale wind or other cost effective renewable energy generation. Although the City Attorney has opined that Proposition H

bonds may be used by the City to fund such renewable generation projects, the taxable status of such funds has not been determined, and may impact the financial viability of the CCA program and/or the rates charged to CCA customers.

As previously noted, according to Ms. Young, at the September 9, 2005 LAFCO meeting, the Commission voted to retain outside legal counsel to provide additional advice regarding, among other things, Proposition H financing. The draft contract states that the legal counsel will provide "legal analysis regarding an assessment of the financing structure including the proposed use of Proposition H bonds, issues with respect to obtaining a bond rating and other related issues." As noted above, this contract for legal counsel, at a cost of \$25,000, is still being drafted. Ms. Young advises that it is anticipated that the contract with outside legal counsel will be executed by October 3, 2005, and it is not known when the work will be completed.

(e) *Other Market Factors* - Other electricity market factors, including other supplier prices, a natural disaster, and overall market failure, are potential significant contributors to CCA's long-term financial viability.

Recommendations:

1. In accordance with Comment No. 1, amend the subject resolution to clarify the Board of Supervisors intent related to the governance structure of the Community Choice Aggregation (CCA) Program, regarding whether the PUC or a combination of the PUC and the Program Director (outside contractor) has the authority to implement the CCA Program.
2. In accordance with Comment No. 2, amend the subject resolution to clarify the Board of Supervisors intent with regard to the differences between the Local Power draft implementation plan and the subject resolution's LAFCO policy and program recommendations.
3. In accordance with Comment No. 3, amend the subject resolution to clarify the final disposition of the draft implementation plan that was submitted by PUC/ENV.

4. In accordance with Comment No. 3, amend the subject resolution to clarify how and which of LAFCO's policy and program recommendations are to be incorporated into the final Community Choice Aggregation Implementation Plan.

5. In accordance with Comment No. 4, amend the subject resolution to request that the City, either the PUC or Program Director (outside contractor), as decided by the Board of Supervisors, undertake a RFI/RFQ process as soon as possible, preferably prior to the end of the second quarter of FY 2005-2006, so that the information gained can be used to plan for the FY 2006-2007 budget.

6. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

ESTIMATED CCA ONE-TIME ACTIVITIES AND COSTS

CCA One-Time Pre-Start-Up Activities (1)	Estimated Total \$
Implementation Plan Finalization (2)	\$240,000
CCSF Customer Data Updates (3)(4)	\$10,000
Request for Proposals (5)(6)	\$150,000
Customer Call Center (7)	\$250,000
PG&E Start-Up Service Fees	\$838,508
Communications Effort (8)	\$4,350,000
Total	\$5,838,508

PG&E Service Fees (8)

Opt-Out	\$/Event	\$/Account	\$/hour	\$/minute	Estimated Work Hrs/mins	# of Accounts/Meters	Subtotal \$/Event	Subtotal \$/Unit/Hourly	Total \$
Notifications (12)	\$ 1,400.00	\$ 0.36				359,143	\$ 452,520.18	\$ 458,120.18	
Processing		\$ 1.18				35,914	\$ 42,378.52	\$ 42,378.52	
Subtotal									\$ 500,498.70
Other PG&E Service Fees									
CCA Establishment			\$ 95.00		25			\$ 2,375.00	\$ 2,375.00
Customer List Development	\$ 2,390.00						\$ 2,390.00	\$ 2,390.00	
Customer Mass Enrollment Processing	\$ 4,120.00	\$ 0.40				323,229	\$ 129,291.60	\$ 133,411.60	
PG&E Customer Contacts (phone calls)				\$ 0.92	217,210		\$ 199,833.10	\$ 199,833.10	
Subtotal									\$ 338,009.70
Total									\$ 838,508.40

Notes:

- One-time Start-Up activities are tasks that must be completed prior to the initiation of the customer opt-out notification process, which commences approximately 105 days before customer transfer from PG&E occurs.
- Funded in 2005-2006
- Prior to commencing service the CCA will need to update its customer information, which includes detailed customer load data, and potential customer contact information. Detailed customer load data is important at this stage because prior to the commencement of the opt-out period the CCA will need to produce a load forecast for both power procurement and regulatory purposes. It is important that the City have several years of customer load data to best analyze electrical demand patterns over time.
- Funded in 2005-2006
- Includes Request for Information and Request for Qualifications
- Funded in 2005-2006
- Contingency customer care support in case call volumes are higher than expected
- The PG&E service fee estimates are based on testimony provided by PG&E to the CPUC during Phase II of the CCA proceeding. Although CCSF has contested the cost figures provided by PG&E, we are assuming here, only for budgeting purposes, that the CPUC adopts the PG&E proposed costs.
- For opt-out, the \$0.36/account notification fee assumes that the cost of materials and postage is included here and there will be no additional cost for opt-out notification mailings. There will be 4 opt-out notification "events", so we have multiplied the per event fee by 4. Opt-out processing assumes that PG&E will only charge the CCA for the cost of processing customer accounts that are returning to PG&E bundled service. A 10% opt-out rate was assumed, meaning that 35,914 customers elected not to participate in the CCA program.
- PG&E defines CCA establishment as the cost of establishing a new business relationship between the CCA and PG&E including such costs as EDI testing and processing of forms and agreements including but not limited to: the CCA Service Agreement, The CCA Provider Information Form, The Credit Application, The Electronic Funds Transfer Agreement, and provides for a review of the CCA's credit worthiness. Although the time necessary to complete this function may vary by CCA, we estimate that this will require 25 hours of PG&E staff time.
- In testimony before the CPUC PG&E estimated its cost per minute for handling customer call related to a specific CCA formation at \$0.92. CCSF has contested this cost figure, but for purposes here we have assumed they are successful on this point before the CPUC. We have made a conservative assumption on the amount of calls PG&E will take related to the CCSF CCA program. This assumption is based on the formula used in Appendix A of the SFPU/SFE draft implementation plan: 1 customer in 50 will call monthly with a question resulting in 6300 calls per month, or approximately 250 calls per day, each call will average 7 minutes duration with a 1 minute wrap up time. For purposes here we assume that PG&E in the start-up period will receive 40% of all customer calls regarding the program over the course of a year. This estimate of customer calls to PG&E will not reduce the need to staff the CCA call center to handle the full customer contact load.
- Although there are four opt-out notifications sent to potential CCSF CCA customers during the full opt-out period, a multiplier of 3.5 was used to account for some customer loss along the way and a corresponding reduction in notices sent as a result.

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CCA START-UP COSTS

CCA Start-Up Activities (1)				
Staffing Breakdown and Roles	Head Count	CCSF Classification	Salary Per Employee	Staff Cost with Overhead (2.55)
Customer Care Representatives (2)	9	1478	\$ 54,860.00	\$ 1,259,037.00
Customer Service Manager	1	5602	\$ 98,696.00	\$ 251,674.80
Customer Care Center Supervisors	2	1480	\$ 60,164.00	\$ 306,836.40
Administrative Assistants	2	1402	\$ 39,078.00	\$ 199,297.80
Information System Administrator	1	1023	\$ 83,018.00	\$ 211,695.90
Regulatory Analyst	1	5601	\$ 68,666.00	\$ 175,098.30
Regulatory Manager	1	5634	\$ 111,436.00	\$ 284,161.80
Contract, Finance, and Reporting Analysts (3)	0	1823	\$ 78,702.00	\$ -
Attorney	1	8177	\$ 127,270.00	\$ 324,538.50
Contract Manager (4)	0	922	\$ 78,013.00	\$ -
Marketing/Outreach Coordinators (5)	2	931	\$ 90,324.00	\$ 460,652.40
Opt-out Supervisor	1	1480	\$ 60,164.00	\$ 153,418.20
Opt-out Clerks	3	1478	\$ 54,860.00	\$ 419,679.00
Public Relations Officer	2	1314	\$ 72,800.00	\$ 371,280.00
Executive Secretary	1	1450	\$ 58,136.00	\$ 148,246.80
Total	27			\$ 4,565,616.90

CCA Miscellaneous Start-Up Costs	Activity Cost \$
Upgrades to SFPUC Customer Call Center Facilities (6)	\$ 750,000.00
Total	\$ 750,000.00

Subtotal Staff Costs			\$ 4,565,617
Subtotal Misc. Costs			\$ 750,000
50% Staffing Start-Up			\$ 2,282,808
75% Staffing Start-Up			\$ 3,424,213
CCA 100% Start-Up Total Costs			\$ 5,315,617

Notes:

- 1) By start-up we are referring a period 6-12 months prior to commencement of full CCA operations. This budget should take the program through the initial opt-out period. This cost forecast does not include a detailed consideration of office space for new PUC staff.
- 2) Based on analysis described in Appendix A of the SFPUC/SFE Draft Implementation Plan, we estimate that the customer call center will need 9 customer care representatives for regular operation. There may be a short-term need for additional customer call center support during the initial opt-out period. This additional support may be filled by cross-training 3 SFPUC water/sewer call center staff to handle CCA matters when during periods of high demand for customer service - we have also included contingency funding in the one-time cost category of \$1 million if very
- 3) Increases to 3 after commencement of service
- 4) Increases to 1 after commencement of service
- 5) Increases to 3 after commencement of service - however if the Sales/Energy Efficiency Division is created then these positions will not be needed
- 6) Includes software, hardware, and new phone lines.
- 7) The Energy Efficiency, and Marketing Division is based on analysis performed and described in Appendix A of the SFPUC/SFE Draft Implementation Plan. We have provided salary and overhead costs for this division for a full year. Since it is possible that there will be external funding for some portion of these costs they have not been included, at this time, in the CCA start-up cost category.

ENERGY EFFICIENCY/MARKETING DIVISION STAFFING COSTS ANNUAL BASIS.

Energy Efficiency, and Marketing Division (7)				
Senior Marketers/Account Representatives	5	931	\$ 90,324.00	\$ 1,151,631.00
Account Representatives for Large Customers	20	1478	\$ 54,860.00	\$ 2,797,860.00
Sales and Marketing Manager	1	943	\$ 136,922.00	\$ 349,151.10
Supervisor of Account Representatives	1	1824	\$ 82,225.00	\$ 209,673.75
Sales and Marketing Administrative Assistant	2	1402	\$ 39,078.00	\$ 199,297.80
Subtotal: Energy Efficiency, and Marketing Division	29			\$ 4,707,613.65

COMMUNICATIONS BUDGET BREAK-DOWN.

Draft - 09-23-2005

<u>Communications Program</u>	<u>Estimated Total \$</u>
Advertising/Marketing Campaign	\$3,000,000
One-Time Communications Staff	\$500,000
Customer Research	\$200,000
Printing, Materials, Graphic Design	\$250,000
Four City-wide informational mailings (not opt-out)	\$400,000
Total	\$4,350,000

SFPUC CCA BUDGET 2005-2006. AND EXPENDITURE PLAN.

Draft - 09-23-2005

SFPUC CCA Budget FY 2005-2006

Staff (1)	Role	CCSF Classification	Average Salary	Staff Cost with Overhead (2.55)	% of Time Committed to Project	Adjusted Staff/Consulting Cost for Project
	Regulatory Manager	5634	\$111,436	\$284,162	0.9	\$255,746
	Utility Analyst	5601	\$68,666	\$175,098	0.9	\$157,588
	Utility Specialist	5602	\$98,696	\$251,675	0.33	\$83,053
	Principle Admin Analyst	1824	\$91,962	\$234,503	0.75	\$175,877
	City Attorney	8177	\$127,270	\$324,539	0.75	\$243,404
Consultants						
	Implementation Plan (2)					\$250,000
	RFP/RFI/RFQ (3)					\$150,000
Total						\$1,315,668

Notes:

- 1) SFPUC and City Attorney staff to provide: CCA regulatory support, task force support, analytical support on CCA Implementation Plan, respond to initiatives of Board of Supervisors, and limited small scale outreach to San Francisco residential and business communities.
- 2) The consulting budget for the implementation plan includes funds analytical and technical assistance in finalizing the document required to be submitted to the California Public Utilities Commission prior to commencement of CCA service as well as analytical and technical assistance producing a compliance filing for the California Renewable Portfolio Standard (RPS). The RPS filing is not yet a requirement, but may become one.
- 3) The consulting budget for the RFP includes analytical assistance in producing a Request for Information and a Request for Qualifications that will precede the release of the RFP.

SFPUC EXPENDITURE PLAN FOR 2005-2006.

Draft - 09-23-2005

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Regulatory Manager	\$63,936.41	\$63,936.41	\$63,936.41	\$63,936.41
Utility Analyst	\$39,397.12	\$39,397.12	\$39,397.12	\$39,397.12
Utility Specialist	\$20,763.17	\$20,763.17	\$20,763.17	\$20,763.17
Principle Admin Analyst	\$43,969.33	\$43,969.33	\$43,969.33	\$43,969.33
City Attorney	\$60,850.97	\$60,850.97	\$60,850.97	\$60,850.97
Consulting Resources				
Implementation Plan		\$26,500.00	\$125,000.00	\$98,500.00
RFI/RFQ/RFP			\$100,000.00	\$50,000.00
Subtotal	\$228,916.99	\$255,416.99	\$453,916.99	\$377,416.99
Total	\$1,315,667.97			



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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Memo To: Budget Analyst Office.

From: SFPUC Power Enterprise Staff.(September 28, 2005).

***SFPUC Estimated CCA Start-Up and Short-Term Budgeting In
Response to Budget Analyst Questions of September
20/2005. (September 28, 2005).***

Attached are the answers to the Budget Analyst questions and accompanying explanations regarding CCA budget estimates.

Q.1 What is the detailed projected CCA one-time and start-up costs?

A.1 Please see the separately forwarded numbers in Attachment I and Attachment II.

Given the rapid turn-around for completion of this Draft of CCA Start-Up and Short-term budgets this document has not benefited from the review of SFPUC departments who could provide scrutiny and perhaps correction of some of the estimates. Later drafts will incorporate this review.

This document uses the following terms: - "One-time costs" are costs incurred for an activity that either is only undertaken prior to CCA implementation or is undertaken in an extremely intensive level prior to CCA implementation, a level that is anticipated to quickly decline during CCA operation. For example, CCA advertising cost and effort is likely to be far higher prior to implementation than during normal operation. Start-up costs are costs for activities undertaken at a standard or similar level of intensity both before and during CCA normal operation but these costs are incurred prior to actual CCA implementation e.g. a call centre will need to be operated prior to CCA implementation and after CCA implementation.

The recognition of the important difference between these terms was not fully understood in the SFPUC/SFE CCA Draft Implementation Report of April 27th/2005 and the terms may have been used interchangeably. Hence the preliminary \$5 million figure for start-up costs cited in that report was actually an early assessment of one-time costs. Therefore, as discussed below, start-up costs are in fact the start of regular CCA activities (therefore not one-time costs) that will extend into standard operating budgets. However these are termed start-up costs since the activity and cost incurrence will begin prior to receipt of any CCA revenues.

The grand total of one-time and start-up costs is currently estimated at between \$9.0 and \$10.0 million. If however external funding is not available to fund needed energy efficiency positions then these amounts could increase.

Attachment I provides an estimated one-time cost of \$5.83 million. A small portion of this cost is included in the current SFPUC 2005-2006 budget. However the majority of the cost is for two items a significant communication effort that is estimated to begin by the second quarter of 2006, and the various PG&E fees that will be incurred on a one-time basis.

The estimated service fees to be charged by PG&E contain a number of critical assumptions: a) that the opt-out notification fee includes the cost of both materials, meaning printing the opt-out notifications, and postage for mailing the notices; and b) that the \$0.92/minute cost proposed by PG&E for CCA related calls is accepted by the CPUC (CCSF contests this cost figure).

Attachment II provides an SFPUC/SFE estimated staffing total of \$4.56 million for CCA Start-Up activities on an annual basis that equates to \$2.28 million assuming a 50% activity level prior to start-up, and \$750,000 for hardware/software support to the Customer Call Centre. However this total is also subject to a number of qualifications.

First, the staffing total does not include any significant effort regarding the marketing and outreach for energy efficiency to specific customer accounts – a total of 33 employees and an annual staffing cost of \$4.4 million was previously estimated in the SFPUC/SFE Draft Implementation Plan for staffing an energy efficiency/outreach budget. For purposes of estimating City of San Francisco funded start-up costs we have assumed, for now, that funding for energy efficiency efforts will be obtained externally of the CCA budget e.g. via direct control of the electric Public Goods Surcharge funds contributed by San Francisco electric ratepayers. To the extent the Implementation Plan finally adopted by the BOS requires a significant direct marketing of energy efficiency (individual customer account oriented) without a source of external funding, the CCA start-up staffing costs for this effort would result in staffing costs significantly above those presented in Attachment II.

Second, the staffing cost estimate is prepared on an annual basis. A rule of thumb for the actual pre CCA-revenue inflow start-up costs would be some

percentage of this amount. This fraction may vary between the different staffing categories e.g. most customer care representatives might start employment e.g. about 3 months prior to implementation while some communications staff will be working at least one year prior CCA implementation. Above we use a 50% figure until a more precise sequencing and time-line for CCA implementation can be developed.

Third, we note, that as a back-up measure, it may be possible for some of the largest budget elements – like Customer Care (Call Center staff) – to also utilize existing SFPUC call center staff who respond to water and sewer phone inquiries for any non-budgeted overflow calls. However we have budgeted a contingency amount of \$250,000 in one-time costs to deal with potential call centre overflow.

Fourth, there is a degree of overlap and trade-off between the expenditures on the communications effort that we present and the expenditures on customer care representatives (which total annually almost \$1.9 million of the \$4.65 million staffing cost). To the extent the Communications effort satisfactorily provides an accurate and complete CCA message to the great majority of San Franciscans then the number of phone inquiries should correspondingly drop, as will the number of phone-calls to which PG&E responds for which San Francisco will be charged.

We also present a figure of \$1.3 million dollars already budgeted for CCA work in the 2005-2006 budget year by the Hetch Hetchy Power Enterprise. This budget is for internal staff, city attorney time, outside consulting services, and data request costs. However a relatively small amount (\$26,500) has already been committed for work – see below under 2.

We have also presented a separate accounting of Communication/Outreach costs as estimated by the Communications Department of the SFPUC – this total budget is \$4.3 million. This communications budget presumes a 9-month customer outreach program that escalates as the opt-out period nears. Depending upon timing of BOS decisions and the timing of a final RFP decision this Communications effort may have to be accelerated into a more compressed time frame. This compression may result in a cost reduction to the overall staffing costs. For purposes of conservatively estimating one-time costs we recommend that 100% of this budget be used.¹

¹ The Communications staff of the SFPUC proposed budget is \$5.34 million that in total incorporates five phases of activity beginning about 18 months prior to CCA implementation and extends into a post-enrollment period. Given the anticipated time-line for CCA implementation the above \$4.3 million budget is a condensation of this plan.

Q.2 What is the SFPUC CCA budget for Fiscal Year 2005-2006, including source of funds.

A.2 In Attachment IV, page 1, we present information on the current SFPUC CCA budget for 2005-2006. Depending upon sequencing of the steps toward implementation of CCA it may be that this budget will have to expand to accommodate some communication effort during the second quarter of 2006. Hetch Hetchy Enterprise net operating revenues are the source of funding for these CCA activities.

Q.3 What is the amount already used in the SFPUC FY 2005-2006 budget, including purpose of use.

A.3 About one quarter of the 2005-2006 staffing budget has already been expended (July-September) and a small amount of consultant funds have been encumbered (but not expended) for work in late September and October (\$26,500). The purpose of these consultant funds is to improve the CCA economic analysis tool already developed in fiscal 2004-2005.

Q.4 Expenditure plan for the remaining FY 2005-2006 funds earmarked for CCA activities.

A.4 The expenditure plan in summary form is provided in Attachment IV, page 2, and the staff and consultant activities are all oriented toward a continuation of the steps necessary to implement CCA.

Q.5 Which start-up and one-time costs required by the merged CCA resolution being considered by the finance committee will be covered by the SFPUC's FY 2005-2006 budget?

A.5 We do not know which start-up and one-time costs will actually be required by a merged CCA resolution. But currently there are no extensive or large-scale start-up or one-time costs currently covered by the SFPUC FY 2005-2006 Budget. However this 2005-2006 budget is anticipated to be adequate to accommodate the important steps of development and publication costs for an RFI/RFQ/RFP process, the filing of a CCA Implementation Plan at the CPUC, and continued regulatory intervention at the CPUC.

- Q.6** Was there any plan for the source of funds for one-time CCA costs in the SFPUC implementation plan? If not, in the SFPUC analysis, what are some of the options available to the City and SFPUC for initially funding CCA?
- A.6** As stated above The SFPUC/SFE Draft Implementation Plan raised the issue of one -time CCA costs and made a very preliminary estimate as discussed at the Budget and Finance Committee Hearing on September 15th. However the plan did not address the issue of the source of funds for either one-time or CCA start-up costs. Options appear to include additional funding from Hetch Hetchy Enterprise net operating revenues, - which would require the consent of the SFPUC Commissioners - revenues from the General Fund, or a loan from the wholesale electric supplier to the CCA. In cases where city funding is used for CCA start-up costs, this could potentially be considered a loan to the CCA enterprise to be repaid over some defined period of time. It also may be possible, depending upon timing, to make arrangements to defer payment to some vendors until after the CCA enterprise begins obtaining revenues.

Local Power's Proposed CCA Implementation Budget, One Time Costs

Task	Program Director	SFPUC/SFE	Total
Start Up Phase			
Finalize IP	\$95,004	\$46,340	\$141,344
Define R&R, MOU	\$50,400	\$4,456	\$54,856
Define Metrics	\$12,852	\$2,350	\$15,202
Financial Processes	\$26,460	\$8,772	\$35,232
Engage Staff	\$10,080	\$8,913	\$18,993
Program Plan	\$91,224	\$22,670	\$113,894
Engagement Strategy	\$20,916	\$0	\$20,916
CPUC Phase II	\$26,460	\$60,159	\$86,619
Solar Ordinance	\$95,760	\$7,604	\$103,364
Kick-Off	\$79,380	\$46,523	\$125,903
Subtotal Start-Up	\$508,536	\$207,788	\$716,324
Program Development Phase			
Program Basis Report	\$237,258	\$135,017	\$372,275
Remove Barriers	\$38,934	\$22,970	\$61,904
Risk Analysis	\$70,560	\$47,997	\$118,557
CCA Lessons Learned	\$31,500	\$8,003	\$39,503
Hydro Options	\$19,656	\$158,666	\$178,322
Low-Income Program	\$8,316	\$171,041	\$179,357
Financing Plan & Model	\$371,700	\$38,978	\$410,678
DB Integration	\$141,120	\$169,983	\$311,103
PG&E Interface Plan	\$191,520	\$196,895	\$388,415
CSC Analysis	\$14,616	\$117,358	\$131,974
CSC Design	\$30,240	\$259,189	\$289,429
Comm Plan	\$93,240	\$10,369	\$103,609
360 Portfolio	\$83,160	\$106,610	\$189,770
PG&E Tech Interface	\$40,320	\$170,732	\$211,052
Siting, Permitting, Acquisition	\$206,640	\$242,380	\$449,020
Regulatory Support	\$54,432	\$55,102	\$109,534
Setup Rate Board	\$20,160	\$64,726	\$84,886
Subtotal Program Development	\$1,653,372	\$1,976,016	\$3,629,388
Procurement Phase			
Prepare RFI/RFQ	\$181,440	\$36,358	\$217,798
Prepare RFP	\$667,296	\$340,108	\$1,007,404
Prepare T&C, ITP	\$174,384	\$57,863	\$232,247
Prepare Eval Proc	\$101,304	\$24,857	\$126,161
Industry Review	\$174,888	\$95,993	\$270,881
Evaluate Bids	\$461,160	\$226,077	\$687,237
Award	\$267,120	\$140,998	\$408,118
PM/CM Plan	\$131,040	\$91,811	\$222,851
H-Bond Structuring	\$143,640	\$86,909	\$230,549
ESP Financial Mgt Sys	\$68,040	\$21,401	\$89,441
Subtotal Procurement	\$2,370,312	\$1,122,377	\$3,492,689
Basic Service Implementation			
LOE	1,628,160	2,634,387	4,262,547
Subtotal Basic Service Implementation	\$1,628,160	\$2,634,387	\$4,262,547
<i>Note: This phase includes \$2.12 M in communications and marketing costs.</i>			

TOTAL ONE-TIME COSTS

\$6,160,380

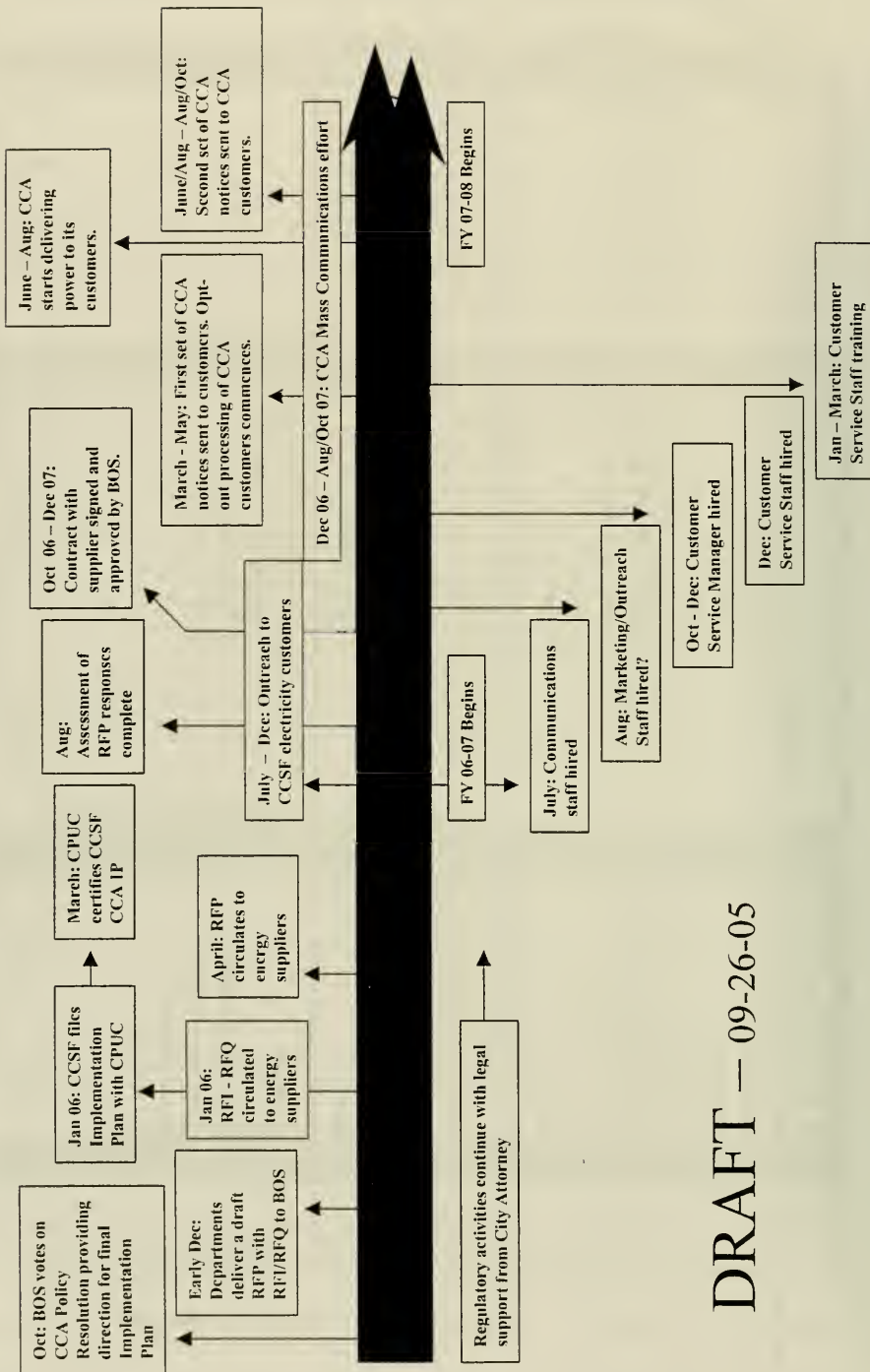
\$5,940,568

\$12,100,948

LOCAL POWER PROPOSED STAFFING PLAN FOR CCA IMPLEMENTATION

Program Director:	PUC/ENV:
Program Director	Project Manager 1
Project Manager 1	Project Manager 2
Project Manager 2	Project Manager 3
Project Manager 3	Project Coordinator 1
Project Coordinator 1	Project Coordinator 2
Project Coordinator 2	Project Coordinator 3
Scheduler	Administrative Assistant
Administrative Assistant	Sr. Financial Analyst
Graphics/WP	Financial Analyst
Sr. Financial Analyst	Marketing/Comm Manager
Financial Analyst	Marketing/Comm Specialist
Marketing/Comm Manager	Sr. Engineer
Marketing/Comm Specialist	Engineer
Sr. Engineer	IT Analyst
Engineer	Sr. Energy Analyst
IT Analyst	Energy Analyst
Sr. Energy Analyst	Attorney
Energy Analyst	Sr. Regulatory/Policy Analyst
Attorney	Regulatory/Policy Analyst
Sr. Regulatory/Policy Analyst	Compliance Manager
Regulatory/Policy Analyst	Contract Specialist
Compliance Manager	
Contract Specialist	

Potential CCA Startup Activities & Staffing Timeline Scenario



DRAFT – 09-26-05

Local Power's Proposed Timeline Through Basic Service Implementation

PHASE	DURATION	PROPOSED SCHEDULE
Start-Up	12 weeks	Tue 11/1/05 - Mon 1/23/06
Program Development	17 weeks	Tue 12/27/05 - Mon 4/24/06
Procurement	215 days	Tue 3/28/06 - Mon 1/22/07
RFQ	4 weeks	Tue 3/28/06 - Mon 4/24/06
RFP	13 weeks	Tue 4/25/06 - Mon 7/24/06
Bidders Prepare Bids	13 weeks	Tue 7/25/06 - Mon 10/23/06
Evaluation and Award	13 weeks	Tue 10/24/06 - Mon 1/22/07
Basic Service Implementation	13 weeks	Tue 1/23/07 - Mon 4/23/07

Items 8, 9 and 10 - Files 05-1250, 05-1455 and 05-1260

Note: A substitute ordinance for File 05-1250 was introduced at the September 27, 2005 Board of Supervisors Meeting. The following report reflects the provisions contained in this substitute ordinance.

Departments: Department of Public Health (DPH)
Planning Department
Police Department
Fire Department
Department of Building Inspection (DBI)

Items: These three ordinances (Files 05-1250, 05-1455 and 05-1260) would amend various Sections of San Francisco's Planning Code, Health Code, Traffic Code, and the Business and Tax Regulations Code to provide guidelines and regulations for zoning and permitting medical cannabis¹ dispensaries in San Francisco. Since these three ordinances are very similar, to avoid redundancy, the following sections summarize the titles of the three ordinances, by Code, highlighting the differences. The following sections elaborate on these provisions

Planning Code Amendments: Ordinance amending San Francisco Planning Code Sections 209.3, 217, 710 through 730, 810 through 818, and adding Sections 790.141 and 890.131 to define medical cannabis dispensaries; prohibit dispensaries in residential house and residential mixed zoning² districts; permit dispensaries elsewhere subject to restrictions based on proximity to *other dispensaries (File 05-1455 only)*, schools, community centers and institutions for the treatment of addictive diseases *and facilities providing substance abuse services that are licensed or certified by the State of California or funded by the Department of Public Health (File 05-1250 only)* and subject, in some areas of the City, to the granting of a conditional use permit *(File 05-1260 only)*; require adequate ventilation;

¹ Cannabis is defined as marijuana and all parts of the plant Cannabis, whether growing or not, the seeds thereof, the resin extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture or preparation of the plant, its seeds or resin.

² Residential-house (RH) zoning districts include single family, two family and three family units and residential-mixed (RM) zoning districts refer to low, moderate, medium and high density residential buildings.

prohibit the sale or distribution of alcohol; require Planning Department notice of application for permit to interested individuals and properties within 300 feet of proposed dispensaries; require dispensaries operating before April 1, 2005 to obtain a permit from the DPH within 18 months of the effective date of this legislation or cease operations; *require dispensaries that began operation after April 1, 2005 but before the effective date of this legislation to cease operations (File 05-1250 only)*; require a notice that permits for dispensaries are not intended to and do not authorize the violation of State or Federal law; and make environmental findings and findings of consistency with the priority policies of Planning Code Section 101.1 and the General Plan;

Health Code Amendments: amending Sections 3200 through 3220 of the San Francisco Health Code to set medical marijuana possession guidelines; require a permit, business license and business registration certificate for a medical cannabis dispensary; set out the application process for a medical cannabis permit; *limit the time period for submitting applications to the DPH for medical cannabis dispensary permits*; *require an annual report from the Director of Public Health to the Board of Supervisors (File 05-1455 only)*; set out operating requirements for medical cannabis dispensaries; and set out the administrative process for imposing penalties and/or permit suspension or revocation for violations;

Traffic Code Amendments: amending Sections 53 and 132 of the San Francisco Traffic Code to create an infraction for double parking in front of a medical cannabis dispensary and set the fine at \$100; and

Business and Tax Regulations Code Amendments: amend Section 1 and add Sections 1.177 and 249.17 to the San Francisco Business and Tax Regulations Code to authorize the DPH to issue medical cannabis dispensary permits and to set out the license fees for medical cannabis dispensaries.

Background: The Board of Supervisors adopted an emergency ordinance (Ordinance No. 64-05) to impose a 45-day Citywide moratorium on medical cannabis dispensaries, effective April 1, 2005. On May 20, 2005, the Board of Supervisors approved a six-month extension of that moratorium on medical cannabis dispensaries throughout

the City (Ordinance No. 98-05). That six-month moratorium will expire on November 20, 2005.

The proposed ordinances would impose permanent zoning and permit controls on medical cannabis dispensaries in the City and terminate the above-noted moratorium (Ordinance No. 98-05).

The major provisions and differences in the three proposed ordinances are as follows:

Planning Code Amendments: All three of the proposed ordinances would prohibit medical cannabis dispensaries in residential-house and residential-mixed zoning districts, such that any dispensaries located in these zoning districts would be required to cease operations immediately. Before applying for an operating permit from the Department of Public Health, each medical cannabis dispensary would be required to prove that the dispensary was in operation prior to April 1, 2005 (the effective date of the first moratorium) (see Comment No. 8). Each medical cannabis dispensary would then have 18 months from the effective date of the proposed legislation to (a) obtain a permit from DPH or (b) cease operations, at the end of the 18-month period or upon denial of the permit application, whichever occurs first.

**Distances From
Other Uses and
Conditional Uses:**

In order to obtain a permit, if medical cannabis is smoked on the premises, the medical cannabis dispensary (a) must be located more than 1,000 feet from an elementary or secondary school, public or private or a community clubhouse, neighborhood center or other community cultural center; and (b) must provide adequate ventilation within the structure so that doors and windows are not left open resulting in odor emissions. If medical cannabis is not smoked on the premises, the medical cannabis dispensary must be located more than 500 feet from an elementary or secondary school, public or private or a community clubhouse, neighborhood center or other community cultural center. Regardless of whether smoking is permitted, (a) the medical cannabis dispensary must be located more than 500 feet from an institution for the treatment of addictive diseases, and (b) alcohol could

not be sold or distributed on the premises. The proposed substitute ordinance (File 05-1250) (a) changes the reference from an institution for the treatment of addictive diseases to facilities that provide substance abuse services and are licensed or certified by the State of California or funded by the DPH, (b) changes the reference of community clubhouse, neighborhood center or other community cultural center to community facility or recreation building, and (c) adds language to clarify that the distances noted above would be from the parcel containing the grounds of the schools, centers, etc., as recommended by the Planning Commission (see Comment No. 4).

One of the proposed ordinances (File 05-1455) would also not permit any medical cannabis dispensary to be located less than 1,000 feet from another medical cannabis dispensary. One of the other proposed ordinances (File 05-1260) would also only permit medical cannabis dispensaries as conditional uses in certain neighborhood commercial districts in the southwestern area of the City (See Comment No. 7).

Noticing

Requirements:

All of the proposed ordinances would require the Planning Department to (a) post notices on the site of an application for a medical cannabis dispensary, (b) mail written notices to all properties within 300 feet of the proposed location of the medical cannabis dispensary, (c) notify all individuals or groups which have made written requests for notice, (d) not act on dispensary applications for 30 calendar days, and (e) allow for Planning Commission review of the application, if requested.

Health Code Amendments: The three proposed ordinances contain many of the same definitions for various terms, including definitions for cannabis, medical cannabis dispensary, medical cannabis identification card, and qualified patient. However, the proposed substitute ordinance (File 05-1250) changes several definitions. Most notably, under File 05-1250, the definition of medical cannabis dispensary is any association, cooperative or collective of ten or more qualified patients with valid identification cards or primary caregivers. In contrast, the other two ordinances (Files 05-1455 and 05-1260) define a

medical cannabis dispensary as an association, cooperative or collective of four or more qualified patients with valid identification cards or primary caregivers (See Comment No. 8).

**Possession
Limits:**

Amendments would also be made to the City's Health Code, under the proposed ordinances, to permit qualified medical cannabis patients and caregivers to possess up to (a) one pound of dried marijuana (cannabis), (b) 12 mature marijuana plants or (c) 24 immature marijuana plants per qualified patient. The proposed substitute ordinance (File 05-1250) changes the possession limit to allow up to (a) one pound of dried cannabis or (b) maintenance of 99 cannabis plants in an area of up to 100 square feet. All of the proposed ordinances also permit greater amounts of marijuana (cannabis) possession to meet a patient's needs, with a doctor's recommendation.

**Permit and
License Fees:**

All three proposed ordinances require that each medical cannabis dispensary apply for a permit to operate from the Department of Public Health (DPH) and pay a one-time non-refundable application fee of \$7,396. According to the proposed ordinances, this \$7,396 non-refundable fee is intended to cover the cost for all City departments to investigate and process the application and any applicable surcharges, not including any additional Board of Appeals filing fees. In addition to the one-time DPH application fees, an annual license fee of \$2,182 would be paid to the Tax Collector's Office (See Comment No. 11).

Other Department

Responsibilities: All three proposed ordinances provide that the DPH would immediately refer the completed applications for review to the Police Department, Fire Department, Planning Department and Department of Building Inspection. In two of the proposed ordinances (Files 05-1455 and 05-1260), the Police Department would be responsible for performing a complete criminal and employment background check on each applicant and any person who would be engaged in managing or operating the medical cannabis dispensary. The proposed substitute ordinance (File 05-1250) restricts the Police Department criminal background checks to the applicant and management, but excludes persons engaged in operating

the dispensary. The Director of DPH would also be responsible for notifying the Police Department of all approved permit applications. Each permitted dispensary would be required to provide the Director of DPH, the Chief of Police and all neighbors within 50 feet with the name phone number and facsimile number of an on-site community relations staff person to notify in case of problems or complaints.

The Department of Building Inspection, in consultation with the Police Department, would be responsible for approving security measures, including lighting and alarms, to insure the safety of persons and to protect the premises from theft (See Comment No. 11). The Fire Department would be responsible for enforcing all Fire Code requirements, including requiring dispensaries to obtain a place of assembly permit, at an additional cost of \$80, if they can accommodate 100 or more persons, based on square footage.

The Planning Department would be primarily responsible for compliance with land use and zoning restrictions including the notification and other related requirements (see Comment No. 8).

After receiving written approval or rejection and recommendations from these City departments, the Director of the DPH would be required to schedule a public hearing on each application. Each permit would contain a notice that states the issuance of the permit is not intended to and does not authorize the violation of State or Federal law. Under the proposed ordinances, DPH would be responsible for issuing the specific regulations governing the operation of the medical cannabis dispensaries, including required notices, information, prohibited activities, applicable health regulations, etc.

Department of Public Health

Responsibilities: As specified in the proposed ordinances, DPH would also be responsible for inspecting each medical cannabis dispensary regularly, but at least twice a year, and in response to complaints, to determine compliance with the provisions of the proposed ordinance and rules and

regulations adopted by the DPH. DPH would be required to provide notice to interested parties and hold a public hearing for any dispensary found in violation of the ordinance or regulations.

After holding the public hearing, DPH could impose the following administrative penalties: (a) not to exceed \$1,000 for the first violation; (b) \$2,500 for the second violation, and (c) \$5,000 for the third and subsequent violations, in a 12-month period. DPH could also revoke or suspend temporarily or permanently a dispensary's permit, if public health or safety was at risk. The decision by the Director of DPH to grant, deny, suspend or revoke a medical cannabis dispensary permit or to impose specified administrative sanctions on a medical cannabis dispensary could be appealed to the Board of Appeals.

Medical Cannabis Dispensary

Responsibilities: Under all three ordinances, medical cannabis dispensaries must be operated as collectives or cooperatives, with specific patients or caregivers as members. Such dispensaries could sell or distribute only California cannabis and receive compensation for their expenses. These dispensaries could only sell medical cannabis to their members who possess Medical Cannabis Identification Cards, and consistent with the possession limits, noted above. However, the proposed substitute ordinance (File 05-1250) qualifies this requirement to only sell to card holders as long as the system for distributing or assigning Medical Cannabis Identification Cards preserves the anonymity of the qualified patient or caregiver.

Hours of Operation:

The hours of operation for medical cannabis dispensaries in the proposed ordinances varies as follows:

- (a) 8 a.m. to 8 p.m. (File 05-1455);
- (b) 7 a.m. to midnight (File 05-1260); and
- (c) 8 a.m. to 10 p.m., although DPH would be allowed to permit two dispensaries to be open 24 hours per day (File 05-1250).

One of the proposed ordinances (File 05-1455) provides that the Director of DPH cannot accept any applications for medical cannabis dispensary permits after 90 days of

the effective day of the ordinance. This ordinance (File 05-1455) also requires that the Director of DPH issue a report once a year to the Board of Supervisors identifying (a) the number of medical cannabis dispensaries currently operating in the City, (b) the number of Medical Cannabis User Identification Cards that are currently active in the City, and (c) analyzing the adequacy of the existing medical cannabis dispensaries in meeting the medical needs of the Medical Cannabis Users. The Board of Supervisors would then be required to hold a public hearing to consider whether amendments to the proposed ordinance's restrictions on the acceptance of new medical cannabis dispensary permit applications are warranted (See Comment No. 9).

Business and Tax Regulations Code: Under the proposed ordinances, each medical cannabis dispensary would be required to obtain an annual business license at a cost of \$2,182 (see Comment No. 11) and a business registration certificate, from the City's Tax Collector Office.

Traffic Code: The proposed ordinances would also impose a fine of \$100 for double parking in front of a licensed medical cannabis dispensary (see Comment No. 11).

Comments:

1. Presently, the Planning Department is the only City department that has any specific jurisdiction over the regulation of medical cannabis dispensaries in San Francisco. Based on an interpretation of the Planning Code in 1997, medical cannabis dispensaries were determined to be a social service, assembly or philanthropic use, which prohibits their use in residential (RH and RM) districts. In addition, medical cannabis dispensaries currently need to comply with DPH regulations, if food items are offered, and to comply with Fire and Building Code regulations, similar to any other facility.

The proposed ordinances would identify medical cannabis dispensaries as a specific restrictive land use in the Planning Code. The proposed ordinances would also charge the DPH with the primary regulatory and

administrative responsibilities for implementation. In addition, the proposed ordinances outline specific responsibilities for various other City departments. Under the proposed ordinances, all existing medical cannabis dispensaries would be required to obtain the necessary permits within an 18-month period, or cease operations.

2. According to Planning Department surveys, there are currently approximately 35 medical cannabis dispensaries operating in the City. These medical cannabis dispensaries generally dispense cannabis and related cannabis products (food and drinks) to individuals who have Medical Cannabis Identification cards. According to the Planning Department, only four medical cannabis dispensaries are currently operating with the required change of use to a "social service" designation or have obtained the required building permits. Mr. Daniel Sider of the Planning Department advises that in the past six months, the Planning Department has received in excess of 1,000 complaints regarding medical cannabis dispensaries in the City.

3. In July of 2000, the Board of Supervisors authorized the creation of a model medical cannabis identification (ID) card program, administered by DPH, in accordance with the City's Health Code Article 28. Ms. Pamela Levin of the DPH advises that each ID card is valid for two years, and she estimates there are 8,200 currently valid City medical cannabis ID cards. According to Ms. Levin, DPH charges \$25 for each ID card, which will increase to \$50 on November 7, 2005, to coincide with a new State ID card program. Ms. Levin confirms that DPH does not maintain any identifying information regarding patients who possess the City's Medical Cannabis Identification Card.

The State Department of Health Services is proposing to issue Medical Cannabis Identification Cards, pursuant to California Health and Safety Code Sections 11362.7, which would identify a person or caregiver authorized to engage in the medical use of marijuana. The Medical Cannabis Identification Card is defined in the proposed ordinance as a document issued to qualified cannabis

users by either the State or City, pursuant to these regulations.

4. On September 15, 2005, the Planning Commission heard the subject ordinances and approved a resolution supporting the proposed ordinance (File 05-1250) to regulate medical cannabis dispensaries in the City, with numerous amendments. The Attachment, provided by Mr. Sider, includes two letters dated September 19 and 21, 2005 from the Director of Planning to the Clerk of the Board, outlining the specific amendments recommended by the Planning Commission. As noted above, the proposed substitute ordinance addresses many, but not all, of the Planning Commission recommended amendments.

5. The proposed ordinances would also find consistency with the priority policies of Section 101.1(b) of the City's Planning Code and General Plan.

6. The proposed ordinance (File 05-1455) contains a typographical error which alters the applicability of the prohibition of medical cannabis dispensaries locating within 1,000 feet from another medical cannabis dispensary. Ms. Sarah Owsowitz of the City Attorney's Office advises that an amendment to the proposed ordinance (File 05-1455) to correct this error, will be submitted to the Budget and Finance Committee on October 6, 2005.

7. As noted above, the proposed ordinance (File 05-1260) would only permit MCDs as conditional uses in certain neighborhood commercial districts within Supervisorial District No. 11. Due to particular problems and complaints with previous MCDs in this District, the Sponsor's Office of the proposed ordinance (File 05-1260) advises that designating MCDs as a conditional use places the additional burden on the applicant of showing the use to be "necessary and desirable". The conditional use designation also triggers mandatory public notice and hearing at the Planning Commission.

8. As noted above, two of the proposed ordinances (Files 05-1455 and 05-1260) define medical cannabis dispensary

as "any association, cooperative or collective of four or more qualified patients or primary caregivers that facilitates the lawful distribution of medical cannabis". The proposed substitute ordinance (File 05-1250) modifies this definition from "four or more" to "ten or more". Therefore, medical cannabis dispensaries with fewer than four patients or caregivers (or fewer than ten patients or caregivers in the substitute ordinance) would not meet the City's definition for medical cannabis dispensaries. As a result, these smaller medical cannabis dispensaries would not have to comply with any of the proposed Planning Code, Health Code, Traffic Code or other regulations in the subject ordinances.

As noted above, the Planning Code would be amended under the proposed ordinances to require each medical cannabis dispensary to prove that the dispensary was in operation prior to April 1, 2005 (the effective date of the first moratorium). before applying for an operating permit from the DPH. However, the proposed ordinances do not specify to which City department the medical cannabis dispensary would need to prove this April 1, 2005 operational date, and there are no specific criteria for making this determination. Since these provisions are included in the Planning Code and the Planning Department is more familiar than other City departments with the current medical cannabis dispensaries, the Budget Analyst recommends that the Planning Code be amended to designate the Planning Department with the responsibility to make this determination. The Planning Department should also be charged with developing specific criteria for making this determination.

9. As noted above, one of the proposed ordinances (File 05-1455) prohibits the Director of DPH from accepting any applications for medical cannabis dispensary permits after 90 days of the effective day of the ordinance. This provision would cap the number of medical cannabis dispensaries to those that applied during the first 90 days of the effective date of the legislation and received a permit from DPH. Under the provisions of this ordinance (05-1455), additional dispensaries could only be permitted after an annual review is conducted by DPH and a public hearing and determination is made by the Board of

Supervisors that additional medical cannabis dispensaries were warranted, relative to the number of active Medical Cannabis Identification Card users. If warranted, the Board of Supervisors could then amend the ordinance to provide for the additional permits to be issued.

10. Ms. Barbara Killey with the City of Oakland advises that in February of 2004, the Oakland City Council added a new chapter to their Municipal Code to regulate medical cannabis dispensaries. Oakland's regulatory land use provisions stipulate similar provisions to what is being proposed in San Francisco, such as (a) not in residential areas, (b) requiring distances of at least 1,000 feet from schools and other community uses and (c) separating medical cannabis dispensaries by at least 1,000 feet. However, the City of Oakland only permits four medical cannabis dispensaries in the entire City, Ms. Killey advises that each medical cannabis dispensary paid an initial permit fee of approximately \$725 to the City, to cover the mandated inspections. Oakland's annual license fees are currently \$20,000 per medical cannabis dispensary, based on the number of patrons per medical cannabis dispensary, according to Ms. Killey.

11. As noted above, all three ordinances provide for each permit applicant to pay a one-time non-refundable application fee of \$7,396, with such fees intended to cover the cost for all City departments to investigate and process the application, including applicable surcharges. However, a review by the Budget Analyst working with Ms. Ada Lam of the Controller's Office, found that individual City department's current estimated one-time costs are different than the amounts reflected in the ordinance, as summarized below.

<u>One-Time Application Fee for Permit</u>		
<u>Department</u>	<u>Current Fee</u>	<u>Proposed Fee</u>
Board of Appeals	\$56	\$0
Building Inspection	80	0
Fire	80	80
Police	100	100
Parking and Traffic	270	349
Planning	4,713	2,531
Public Health	<u>2,097</u>	<u>3,050</u>
Total	\$7,396	\$6,110

The Board of Appeals fee is being eliminated, as stated in the proposed ordinances, with the possibility of including the cost of future appeals as a Board of Appeals surcharge pursuant to Administrative Code Chapter 10G.

The Building Inspection fee is being eliminated because, according to Mr. Lawrence Kornfield of the Department of Building Inspection (DBI), the responsibilities specified in the proposed ordinance for DBI are beyond the purview of the Department. Therefore, the Budget Analyst recommends that the specific references to additional safety, security or additional reviews by DBI, as contained in the proposed ordinance, be deleted. Mr. Kornfield advises that DBI would continue to be responsible for reviewing all applications for building permits and securing fees from each applicant, as currently required under the City's existing provisions.

According to Ms. Diana Hammons of the Department of Parking and Traffic (DPT), the cost, including overhead, is currently estimated to be \$349 for DPT to install two signs warning drivers of increased double parking fines in front of each medical cannabis dispensary. As noted above, under the proposed ordinance, the double parking violation fine would be \$100, which is \$40 or 67 percent more than the current \$60 fine for double parking elsewhere in the City.

Based on discussions with Ms. Alicia John-Baptiste of the Planning Department, the Planning Department fees were adjusted to (a) delete additional Code Enforcement responsibilities, (b) reduce the estimated overhead rate, (c) provide additional mapping capabilities, and (d)

assume 75 percent of the applications will require Discretionary Review by the Planning Commission.

The Department of Public Health estimates were adjusted in accordance with actual current salary rates, and the estimated number of 42 medical cannabis dispensary applications that would be submitted in the first year. Therefore, the proposed ordinances should be amended to reduce the one-time non-refundable application fee by \$1,286 from \$7,396 to \$6,110.

12. The three ordinances also provide for an annual license fee of \$2,182, which is intended to cover the DPH's cost for ongoing inspections and enforcement. Based on additional reviews with the DPH and the Controller's Office, this annual license fee should be amended to reflect a cost of \$3,100, instead of \$2,182 to reflect DPH costs.

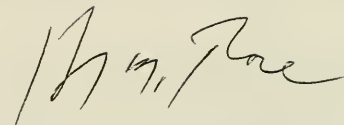
The Budget Analyst notes that in the first year, a licensed medical cannabis dispensary would be required to pay a total of \$9,210, to cover the City's cost of both the initial permit application fee of \$6,110 and the annual enforcement license fee of \$3,100. To avoid confusion, the proposed ordinances should be amended to reflect that medical cannabis dispensaries would be required to pay this total cost of \$9,210 for only their first year of operation. It should be noted that medical cannabis dispensaries that apply for, but are not granted a DPH permit would not be required to pay the \$3,100 annual license fee. In terms of implementation, the \$3,100 annual license fee should be paid to the Tax Collector, prior to the initial issuance of the operating permit by DPH.

The proposed ordinances provide for a specific amount of initial permit and ongoing annual license fees to be charged. However, most of the fees are based on Department costs, including salaries and fringe benefits, which will change over time. Therefore, the provisions on the proposed permit and license fees should be amended to include cost of living adjustments, to be calculated annually by the Controller's Office.

Recommendations:

1. As discussed in Comment No. 6, amend the proposed ordinance (File 05-1455) to correct a typographical error.
2. As discussed in Comment No. 8, designate the Planning Department with (a) the responsibility to make the determination of whether the medical cannabis dispensary was operating as of April 1, 2005, and (b) developing specific criteria for making this determination.
3. As discussed in Comment No. 11, delete the specific references to additional safety, security or additional reviews by DBI.
4. As discussed in Comment No. 11, reduce the one-time non-refundable application fee by \$1,286 from \$7,396 to \$6,110.
5. As discussed in Comment No. 12, amend the annual license fee of \$2,182 to \$3,100, to more accurately reflect current DPH costs.
6. As discussed in Comment No. 12, amend the proposed ordinances to reflect that medical cannabis dispensaries would be required to pay a total cost of \$9,210 for only the first year of operation, with the \$3,100 annual license fee paid to the Tax Collector, prior to the issuance of the initial operating permit by DPH.
7. As discussed in Comment No. 12, amend the permit and license fees to include cost of living adjustments, to be determined by the Controller's Office.
8. Approval of the proposed ordinances, as amended, is a policy matter for the Board of Supervisors.

Memo to Budget and Finance Committee
October 6, 2005 Budget and Finance Committee Meeting

A handwritten signature in dark ink, appearing to read "H. M. Rose", written in a cursive style.

Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Mirkarimi
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Daly
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Sandoval
Clerk of the Board
Controller
Noelle Simmons
Ted Lakey
Cheryl Adams



PLANNING DEPARTMENT

City and County of San Francisco 1660 Mission Street, Suite 500 San Francisco, CA 94103-2414

(415) 558-6378

PLANNING COMMISSION
FAX: 558-6409

ADMINISTRATION
FAX: 558-6426

CURRENT PLANNING/ZONING
FAX: 558-6409

LONG RANGE PLANNING
FAX: 558-6426

September 19, 2005

Ms. Gloria L. Young, Clerk
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**Re: Technical Changes to Proposed Ordinance for Medical Cannabis Dispensary Regulations
Board File Number 151250 (Supervisor Mirkarimi)
Planning Department Case Number 2005.0664ET**

Dear Ms. Young,

The Planning Commission held a duly noticed public hearing on a proposed Ordinance contained in the aforementioned Board file on September 15, 2005.

Planning Commission Resolution Number 17094 recommends that the Board of Supervisors adopt this proposed Ordinance with amendments. The recommended amendments contained in the Resolution are substantive and will be reviewed by the Board at the Committee level.

Additional changes of a strictly technical nature, however, have come to our attention and should be incorporated into the Ordinance. While not specifically identified in the Planning Commission Resolution, we feel that they are consistent not only with that Resolution but also with the intent of the proposed Ordinance, as introduced. Please note that these changes do not affect the intent or premise of the Ordinance. We are confident that their incorporation would enhance its overall legibility and clarity and promote efficient implementation

1. Modify the definition of "institutions for the treatment of addictive diseases" to be more specific. Such uses are not found in the Planning Code, nor is Planning Staff equipped to distinguish these uses from other similar uses. DPH Staff advises that a classification of "substance abuse services licensed or certified by the State or funded by DPH" is one which is tracked by the City and is therefore more easily enforced. To implement this requirement, DPH should provide the Planning Department with a list of all such facilities at regular intervals not less than once each calendar year. [This is consistent with potential changes discussed above which are being considered at the Committee level.]
2. Add a specification to clarify the method of measurement of proximity limits. All proximity measurements should be taken as the shortest distance from the perimeter of the parcel containing the proposed MCD to the perimeter of the parcel containing the proximal use or to the boundary of the children's play area as specified by the Recreation and Park Department. As drafted, the Ordinance is silent as to the preferred methodology. This modification would lead to a significant reduction in uncertainty with respect to implementation.
3. Add a specification to clarify proximity-based non-conforming uses. All proximity requirements should be met only at the time of initial Planning Department review of a proposed MCD location. An expansion or intensification of an existing MCD permitted under this Ordinance should not be subject to proximity restrictions, so long as all other provisions of the Ordinance and other applicable City Codes are met. As drafted, the Ordinance is silent regarding the possible scenario in which an MCD meets proximity requirements at the time of application but seeks to expand years later after a school, for example, has opened next door.

4. Add a specification to clarify the nature of 'proximal' uses. All uses which are subject to proximity limits should be identified as principal authorized uses and not de-facto or accessory uses. Unlawful uses, minor uses, or related uses should not be considered under the proximity provisions of the Ordinance.
5. Expand the notification requirement to be more specific and to include owners within a 300 foot radius. The currently proposed 300 foot notification requirement for only occupants is not consistent with the Department's noticing practices and would not afford notification to property owners; it should be expanded appropriately. Additionally, more clarity is needed with respect to the proposed requirement for a posted notice on the site. Such notice should be of 11" x 17" size or greater, one sign should be required per street frontage, and the content of the sign should be determined by the Zoning Administrator.
6. Additional structural or procedural amendments as follows:
 - a. As drafted, MCD's would be defined in identical language in multiple locations throughout the Planning Code, creating clutter and confusion. Modify this in order to define MCD's in a single location in Section 102 and refer to this location in other Code sections.
 - b. Specify that schools which appear with regard to proximity requirements are those defined by Planning Code Sections 217(f), 217(g), 790.50(c), and 890.50(c).
 - c. Relocate limitations on signage from the Health Code into the Planning Code. Article 6 of the Planning Code is the principal body of regulation for governing signage throughout the City; MCD signage should be located there.
 - d. Require that a building permit be lodged with DBI as part of the application process. This permit will be used to track and memorialize land use entitlements.

If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

Dean L. Macris
Director of Planning

cc : Honorable Ross Mirkarimi, District 5 Supervisor



PLANNING DEPARTMENT

City and County of San Francisco 1660 Mission Street, Suite 500 San Francisco, CA 94103-2414

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September 21, 2005

Ms. Gloria L. Young, Clerk
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Corrected Transmittal of:

Planning Department Case Number 2005.0664ET [Board File No. 051250 / Sup. Mirkarimi]
Planning Department Case Number 2005.0665ET [Board File No. 051260 / Sup. Sandoval]
Planning Department Case Number 2005.0772ET [Board File No. 051455 / Sup. Elsbernd]

Dear Ms. Young,

The Planning Commission held a duly noticed public hearing on the proposed Ordinances contained in the aforementioned Board Files on September 15, 2005.

The proposed Ordinances would each create a regulatory framework to guide the location and operation of medical cannabis dispensaries (MCD's) in San Francisco.

Environmental Review of the proposed Ordinances was completed and a General Rule Exclusion for the proposed modifications was issued on August 25, 2005 under CEQA Guidelines Sections 15061(b)(3).

At the September 15 hearing, the Commission adopted Resolution Numbers 17103, 17104, and 17105 to (1) recommend that the Board of Supervisors adopt Supervisor Mirkarimi's proposed Ordinance [contained in Board File Number 051250] with modifications and (2) not offer a recommendation to the Board with respect to Supervisor Sandoval and Elsbernd's proposed Ordinances [contained in Board File Numbers 051260 and 051455], respectively.

The Commission recommended amending Supervisor Mirkarimi's proposed Ordinance as follows:

1. Eliminate a proximity requirement relating to community centers because of (a) the debatable merit of this restriction in light of the broad spectrum of uses this category contains and (b) problems with the accurate definition of such facilities.
2. Add a requirement to prohibit MCD's within 500 feet (or 1,000 feet if smoking is offered on-site) of children's playgrounds. MCD's have potential negative externalities of a type which should not be allowed to impact these sensitive facilities.
3. Allow operation only between 8am and 10pm, excepting one MCD per district which should be allowed to remain open at all hours to address emergency situations. Operation of multiple dispensaries beyond these base hours could create conflict with nearby land uses and prevailing neighborhood character.
4. Allow applications to be received only during a one-time-only 180-day filing period in order to allow a 'trying-on' of controls and to ensure that future applications be assessed along with an analysis of the adequacy of medical cannabis services.

5. Advise the Board to authorize the Department to retain a temporary staff-person trained in Geographic Information Systems (GIS) who can aid the Department in quickly and efficiently processing the great number of applications expected.

Please find attached documents relating to the Commission's action. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

Dean L. Macris
Director of Planning

Attachments [four copies of each of the following]

1. Planning Department Executive Summary [applicable to all three Board Files], including:
 - a. Legislative summaries
 - b. Proposed ordinances
 - c. Comparison matrix
 - d. Relevant maps
2. Planning Department General Rule Exclusion under CEQA [applicable to all three Board Files]
3. Planning Commission Resolution Number 17103
4. Planning Commission Resolution Number 17104
5. Planning Commission Resolution Number 17105



City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, October 13, 2005

1:00 PM

City Hall, Room 263

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation
- 2) Budget Analyst report
- 3) Legislative Analyst report
- 4) Department or Agency cover letter and/or report
- 5) Public correspondence

These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

DOCUMENTS DEPT.

AGENDA CHANGES

OCT 11 2005

REGULAR AGENDA

SAN FRANCISCO
PUBLIC LIBRARY

10-12-05A10:35 REC'D

1. 050644 [Recreation and Park - S.F. Small Craft Harbor Fiscal Feasibility]

Supervisor Alioto-Pier

Resolution adopting findings that the San Francisco Small Craft Harbor project is fiscally feasible and responsible under Administrative Code Chapter 29.

4/12/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

6/9/05, CONTINUED. Heard in Committee. Speakers: Rob Black, Legislative Aide to Supervisor Alioto-Pier; Joan Girardot, Marina Civic Improvement Association; Alan Silverman, Marina Civic Improvement Association. Continued to June 16, 2005.

6/16/05, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Supervisor Alioto-Pier; Katie Petruccione, Recreation and Park Department; Brad Gross, Harbor Master; Alan Silverman, Marina Civic Improvement Association; John Rizzo, Chair, Sierra Club, San Francisco Bay Chapter; Rene Monchartre, President, San Francisco Marina Harbor Tenants Association; Sue Chang; Melody Lacy, President, Bay Area Association of Disabled Sailors, San Francisco Marina Harbor Tenants Association; Denis Belfortie, Recreation and Park Department; Kevin Boden; Kevin Howard; Tom Hammond; Joan Girardot, Marina Civic Improvement Association; Joe Boss; Emeric Kalman; Cheryl Adams, Deputy City Attorney.

10/6/05, CONTINUED. Speakers: None. Continued to October 13, 2005.

2. 051747 **[Setting a permit application fee and an annual license fee for medical cannabis dispensaries]**
Supervisor Mirkarimi
Ordinance amending the San Francisco Health Code to add Section 3204 setting an application fee for a medical cannabis dispensary permit and amending the Business and Tax Regulations Code to add Section 249.17 to provide for an annual license fee for permitted medical cannabis dispensaries.

10/6/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
10/6/05, CONTINUED. Divided from File 051250.
Continued to October 13, 2005.
3. 051297 **[Accept-Expend Corporate Grant - Department of the Environment]**
Supervisor Ma
Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$61,223.20 from Air Products and Chemicals, Incorporated (Inc.) for completion of site work for a hydrogen fueling station.

7/12/05, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.
7/19/05, REFERRED to Budget and Finance Committee. Supervisor Daly requested that this matter be referred to Committee.
10/6/05, CONTINUED. Speakers: None. Continued to October 13, 2005.
4. 050916 **[Policy and Program Recommendations for Community Choice Aggregation Implementation Plan]**
Supervisors Ammiano, Mirkarimi
Resolution submitting Policy and Program Recommendations for a Community Choice Aggregation (CCA) Implementation Plan and approving a CCA Implementation Plan (IP).

(Fiscal impact.)

5/24/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
9/15/05, AMENDED. Heard in Committee. Speakers: Bruce Wolfe, Community Choice Energy Alliance; Bruce Osterweil, Sierra Club; Nancy; Elise Hilg; Don Eichelberger; Ron Dicks, Interim Chair; CCA Task Force; Jane Morrison, Democratic Central Committee and San Francisco Tomorrow; David Shonbrun, Bay Area Clean Air Task Force; Maurice Campbell, Community First Coalition; Ivel Miash; Linda Kramer; Cathleen Sullivan, San Francisco Bay Chapter of the Sierra Club; Dwight Cocke, TURN; Stekie Evans; Dr. Ahimsa Porter Simchai; Steven Notesell; Tess Wilbom, Haight-Ashbury Neighborhood Council; Eric Brooks, Coordinator, Our City; Barry Hermanson; Irene Dick Endrisi; Mary Go; Samantha Evans, Greenpeace; Paul Fenn; Barbara Hale, Assistant General Manager for Power, San Francisco Public Utilities Commission.
Amended by combining the resolution contained in File 051417 herewith.
Continued to October 6, 2005.
9/15/05, CONTINUED AS AMENDED.
10/6/05, CONTINUED. Speakers: None. Continued to October 13, 2005.
5. 051636 **[Expend Federal Funding – Community Development Block Grant]**
Supervisors Ammiano, Maxwell
Resolution approving the expenditure of One Million Six Hundred Eleven Thousand Seven Hundred and Seventy-eight Dollars (\$1,611,778) of Community Development Block Grant Funds.

9/27/05, RECEIVED AND ASSIGNED to Budget and Finance Committee. MOCD requests this item be scheduled for consideration at the October 6, 2005 meeting.

6. **051519** **[Grants for the Arts in charge of administration of Nonprofit Performing Arts Loan Program]**
Mayor
Ordinance amending Sections 50.2, 50.10, 50.11 and 50.21 of the San Francisco Administrative Code concerning the Nonprofit Performing Arts Loan Program to transfer administration of the program from the Mayor's Office of Housing to the Grants for the Arts and allowing Grants for the Arts to establish criteria for loan forgiveness and issue other related regulations and agreements and amending Section 10.100-119 of the San Francisco Administrative Code to clarify that the Fund shall be used for construction project management, capital improvement and acquisition loans to nonprofit performing arts organizations under Chapter 50 of the Administrative Code.
- (Fiscal impact.)
- 9/6/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
7. **051596** **[Contract Amendment for Muni Metro East Light Rail Facility]**
Resolution authorizing the Director of Transportation to execute the Tenth Amendment to San Francisco Municipal Railway Contract No. CS-116, Design and Construction Support Services for Muni Metro East Light Rail Vehicle Maintenance and Operations Facility with Gannett Fleming, Inc. for an amount not to exceed \$3,313,629, for a total contract amount not to exceed \$12,262,990, and for a contract extension of two and one-half years, for a total contract term of ten years. (Municipal Transportation Agency)
- (Fiscal impact.)
- 9/15/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
8. **051635** **[FY 2005-06 California Constitution Appropriations Limit]**
Supervisor Peskin
Resolution establishing the appropriations limit for Fiscal Year 2005-06 pursuant to California Constitution Article XIII B.
- 9/27/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
9. **051642** **[Authorizing the Teeter Tax Losses Reserve Fund to be governed by Revenue and Taxation Code Section 4703.2 for fiscal years 2004-2005 and 2005-06]**
Supervisor Peskin
Resolution authorizing the Teeter Tax Losses Reserve Fund to be governed by Revenue and Taxation Code Section 4703.2 for fiscal years ending June 30, 2005 and June 30, 2006.
- 9/27/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
10. **051599** **[Official Advertising - Type 1 for Consecutive Day Publication and Type 2 for Non-Consecutive Day Publication]**
Resolution designating the San Francisco Chronicle and Examiner to be the official newspapers of the City and County of San Francisco for the category of Type 1 consecutive day, and Type 2 non consecutive day official advertising services for the fiscal year commencing upon Board of Supervisors and Mayoral approval and ending June 30, 2006. (Office of Contract Administration)
- 9/23/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

11. 051400 [Golf Fees - Harding Park, Golden Gate Park]**Supervisor McGoldrick**

Ordinance making environmental findings and amending the San Francisco Park Code, Article 12, by amending Sec. 12.12 to increase the fees at Harding Park and Fleming Golf Courses; amending Sec. 12.16 to increase the fees at Golden Gate Park Golf Course.

7/21/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

7/21/05, CONTINUED. Divided from File 051258.

Continued to September 22, 2005.

9/29/05, CONTINUED. Heard in Committee. Speaker: Supervisor McGoldrick.

Continued to October 13, 2005.

ADJOURNMENT**IMPORTANT INFORMATION**

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE**(Not to be considered at this meeting)**

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

051604 [Payroll Expense Tax Exclusion for Persons Who Hire the Disabled and the Homeless]**Supervisor Alioto-Pier**

Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for persons who hire the disabled and the homeless, as specified.

(Fiscal impact.)

9/20/05, ASSIGNED UNDER 30 DAY RULE to Budget and Finance Committee, expires on 10/20/2005.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agendas are available on the internet at www.sfgov.org/site/bdsupvrs_index.asp?id=4383

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

**翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701**

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 6, 2005

TO: Budget and Finance Committee
FROM: Budget Analyst
SUBJECT: October 13, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-0644

Note: This item was continued by the Budget and Finance Committee at its meeting of October 6, 2005.

Departments: Recreation and Park Department (RPD)
Department of Public Works (DPW)

Item: Resolution adopting findings that the San Francisco Marina Small Craft Harbor project is fiscally feasible and responsible under Administrative Code Chapter 29.

Background: Chapter 29 of the City's Administrative Code, approved by the Board of Supervisors in June of 2004 (Ordinance No. 104-04) requires the Board of Supervisors, prior to completion of an Environmental Impact Report (EIR), under the California Environmental Quality Act (CEQA), to determine whether certain project plans proposed by a City department or other entity are fiscally feasible and responsible if the project's costs exceed \$25,000,000 and are funded with more than \$1,000,000 in "public monies", including the City's General Fund or proceeds of indebtedness from State or Federal loans.

Memo to the Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

According to Chapter 29, the Board of Supervisors determination of a project's fiscal feasibility is to be based on the following five criteria: (1) direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues, generated by the proposed project; (2) the cost of construction; (3) available funding for the project; (4) the long term operating and maintenance costs of the project; and (5) debt load to be carried by the department or agency.

The provisions of Chapter 29 apply to RPD's proposed renovation of the San Francisco Marina Small Craft East and West Harbor (Marina) because the Marina project's total current estimated costs of \$36,000,000 exceed the \$25,000,000 threshold and the West Harbor portion of the project (Phase I) will be financed with a \$16,500,000 State loan, which exceeds the \$1,000,000 threshold for State loan funds. The Budget Analyst notes that according to the provisions of Chapter 29, RPD's EIR for the subject project cannot be deemed complete until this proposed resolution is approved by the Board of Supervisors.

On February 27, 2003, the Board of Supervisors approved Resolution No. 149-03 certifying that the entire Marina, including both the West and East Harbors, needs renovation and reconstruction. That prior resolution also authorized the General Manager of RPD to submit a loan application to the State Department of Boating and Waterways (DBW) in the amount of \$38,800,000 in order to finance the project.

Ms. Katie Petrucione from RPD states that currently the EIR for the pending Marina renovation and reconstruction project is undergoing public comment, which will continue until October 20, 2005. According to Ms. Petrucione, RPD estimates that construction of the West Harbor will begin in October of 2008 and will be completed by April of 2010, and construction of the East Harbor will begin in August of 2010 and be completed by August of 2012.

Description:

The Marina is located on the Northern Waterfront, approximately one-half mile east of the Golden Gate Bridge and just west of Fort Mason. Located on property under the jurisdiction of the RPD, the Marina is composed of two

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harbors known as the East Harbor and the West Harbor. The East Harbor consists of 342 boat slips, parkland, a restroom and two parking lots that accommodate a total of 441 vehicles, as well as a floating dock from which fuel and boat supplies are sold.

The West Harbor consists of 254 boat slips in the inner basin, 72 boat slips in the outer basin, the St. Francis and Golden Gate Yacht Clubs, which are private clubs, the Harbor Office Building, parkland, two restrooms, a concession stand which sells snack foods, and four parking lots which accommodate a total of 719 vehicles.

Attachment I, provided by Mr. Edgar Lopez of DPW, is a description of the proposed improvements at the West and East Harbors including the estimated construction costs. As shown in Attachment I, the West Harbor project (Phase I) is currently estimated to cost \$16,500,000 (pages 1 and 2 of Attachment I) and the East Harbor project (Phase II) is currently estimated to cost \$19,500,000 (pages 3 and 4 of Attachment I), for a total estimated project cost of \$36,000,000¹.

As shown in Attachment II, a memorandum from Mr. David Johnson, the Acting Deputy Director of the State DBW, provided by Mr. Brad Gross of RPD, the DBW "approved, in concept, financing for the entire Marina Project. The (DBW) Commission considered the entire project (both East and West Harbors) in its decision but only approved funding for the West Harbor project (Phase I) due to FY 2004-2005 budget limitations". According to Mr. Gross, on November 18, 2004, the State DBW approved a loan of \$16,500,000 to finance the design and engineering of the Marina and fund the West Harbor project renovations (Phase I). Funding for the East Harbor project (Phase II) has not yet been approved by the State DBW and according to Ms. Nadia Sesay of the

¹ Renovation of the East Harbor was originally projected to cost \$22,300,000 but is now estimated to cost \$19,500,000, a reduction of \$2,800,000, because the project has been scaled back. As shown in Attachment I, security systems, landscape improvements and parking control have been eliminated from the East Harbor project plan, reducing the project costs by \$2,800,000, from the original total of \$38,800,000 to the current total of \$36,000,000, for the entire Marina project.

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Mayor's Office of Public Finance, alternative financing options are limited (see Comment No. 4).

According to Mr. Gross, the \$16,500,000 State DBW loan for renovation of the West Harbor is to be awarded in phases. The first phase of the DBW loan in the amount of \$1,500,000, would be used to fund costs associated with completion of the EIR. Mr. Gross explains that the \$16,500,000 State DBW loan will be allocated by the State DBW on an annual basis. Such annual allocations will depend on the availability of State loan funds each fiscal year. Mr. Gross advises that the Board of Supervisors has not yet accepted the full amount of the State loan, and explains that DPW and RPD are working with staff from the City Attorney's Office to negotiate the terms of the loan, after which a resolution accepting and authorizing expenditure of the loan will be forwarded to the Board of Supervisors for approval.

The loan is to be repaid from revenues generated by the Marina berth rental and other service fees. In order to fund repayment of the loan, RPD proposes berth rental fee increases of 37 percent for the West Harbor, beginning in FY 2010-2011, in addition to the fee increases for the Marina previously approved by the Board of Supervisors on July 12, 2005 (File No. 05-0602). According to Mr. Michael Martin of the City Attorney's Office, the planned additional 37 percent fee increase, beginning in FY 2010-2011, cannot be implemented until after completion of the EIR because CEQA requires that an EIR be completed before fees can be increased to finance a capital project, such as the pending Marina renovation and reconstruction project. The additional fee increases to be implemented in FY 2010-2011 for the West Harbor project (Phase I) would be subject to Board of Supervisors approval.

Comments:

1. According to Ms. Nadia Sesay of the Office of Public Finance, RPD would pay an interest rate of 4.5 percent on the \$16,500,000 State DBW loan but no interest costs would be incurred during the first four years while the West Harbor project is under construction. RPD would then repay the \$16,500,000 DBW loan over a 50 year period at the rate of (a) \$658,257 in 2010, (b) \$929,542 per year from 2011 through 2039 and (c) \$271,285 per year from 2040 through 2060.

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Overall, RPD would repay the \$16,500,000 principal loan, with interest of \$16,811,974 or a total of \$33,311,974 over the 50-year period. Attachment III, provided by Ms. Sesay, contains the financial projections for Phase I, the renovation and reconstruction of the West Harbor, including (a) net revenues anticipated to be available from the berth rental fees, (b) the anticipated \$16,500,000 State DBW loan, including \$16,811,974 interest costs for a total of \$33,311,974, (c) the projected Surplus/(Shortfall) in the Marina Fund Balance, (d) the Cumulative Surplus/(Shortfall), and (e) the debt coverage ratio. As shown in Attachment III, the West Harbor will maintain a positive annual surplus for the anticipated 50-year life of the loan, assuming the fee increases discussed above are approved. Ms. Sesay further advises that the Office of Public Finance's projections, based on information provided by RPD, "indicate that the West Harbor revenues generated under such structure would provide sufficient revenues to repay the DBW West Harbor loan."

2. Mr. Gross states that no General Fund monies would be used to repay the \$16,500,000 loan as explained in Attachment IV.

3. As noted above, Chapter 29 requires the Board of Supervisors to base a project's fiscal feasibility and responsibility on five criteria. The first criteria is direct and indirect financial benefits of the project to the City, including, to the extent applicable, cost savings or new revenues, including tax revenues, generated by the proposed project. According to Ms. Petrucione, the Marina needs immediate repairs and replacement to continue operating and leasing the berths, which provide the main revenue source for the Marina. Ms. Petrucione notes that if the Marina is not renovated in the near future, the Marina will suffer potential revenue losses. Furthermore, Mr. Gross advises that the May of 2003 issue of *Marina World* states that "For every dollar spent in the marina, another \$6.60 to \$10.00 is spent in the surrounding community." The second criteria, the cost of construction, is detailed in Attachment I. The third criteria, available funding for the project, is discussed in greater detail in Comment No. 4 below. Ms. Petrucione advises that the proposed renovation project will

Memo to the Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

enable RPD to undertake less frequent emergency repairs, maintenance and capital improvements, permit the Marina to operate more efficiently, and thus stabilize the long term operating and maintenance costs of the project, which is the fourth criteria. The fifth criteria regarding the debt load to be carried by the department or agency is addressed above in Comment 1 and in Attachment III, and is determined to be sufficient, assuming the Board of Supervisors approves future needed fee increases.

4. As noted above, Phase II of the Project, consisting of renovation and reconstruction of the East Harbor, has not yet been funded. According to Mr. Gross, RPD is planning to apply for a \$19,500,000 loan from the State DBW in the Fall of 2006 in order to fund the East Harbor project (Phase II). Attachment II, a June 1, 2005 memorandum from the State DBW, states that "although the East Harbor project has not been approved for funding by DBW, DBW will rely on East Harbor revenues, more specifically increased revenues from the East Harbor, to justify its decision to finance the remainder of the project." Attachment V, provided by Ms. Sesay, discusses alternative financing options for renovation of the East Harbor. According to Ms. Sesay, "in the absence of DBW financing, the City's financing options for the East Harbor renovations are limited."

5. As stated above, "available funding for the project" is the third criteria for the Board of Supervisors to consider in the determination of a project's fiscal feasibility. According to Ms. Elaine Warren of the City Attorney's Office, "the Chapter 29 criterion 'available funding for the project' can reasonably be interpreted to mean potential, identified sources of funds, given that governmental entities cannot make final decisions to fund projects until environmental review is complete." According to Ms. Petrucione, RPD plans to apply for another State DBW loan for the East Harbor Phase II renovation project to pay for the total estimated project cost of \$19,500,000 for Phase II. Ms. Petrucione states that the RPD considers such a loan as a potential source of funds.

The June 1, 2005 State DBW memorandum (Attachment II) to Mr. Gross states:

Memo to the Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

The Department of Boating and Waterways Commission (DBW) has approved, in concept, financing for the entire Marina project. The Commission considered the entire project (both East and West Harbors) in its decision but only approved funding for the West Harbor project due to FY 04/05 budget limitations. By law the Commission cannot approve the expenditure of future funds.

6. The Budget Analyst notes that if the Board of Supervisors does not approve the proposed resolution, RPD cannot proceed with the CEQA process and complete the EIR for the West and East Harbor projects. If the EIR is not completed, the State DBW cannot award the \$16,500,000 State loan, for the West Harbor Phase I project, according to Ms. Warren. Therefore, neither the West Harbor nor East Harbor projects can proceed without approval of this proposed resolution.

7. An amendment to Chapter 29 added on July 29, 2005 (File No. 05-0817), requires RPD to identify the total amount of costs which have been incurred for environmental review for all projects that have already commenced environmental review by July 1, 2005. RPD has expended approximately \$520,000 on the environmental review process to date, as itemized in Attachment VI provided by Ms. Petrucione. Ms. Petrucione states that should the proposed resolution be approved by the Board of Supervisors, the State DBW loan for the West Harbor would reimburse the RPD for the \$520,000 in previously incurred expenditures for the environmental review.

8. The Budget Analyst will be reviewing the Marina Yacht Harbor operations in detail, including revenues and expenditures, as part of the Budget Analyst's management audit of RPD. The RPD management audit should be completed in December of 2005.

Recommendation: Based on the advice of the City Attorney's Office that available funding for the project includes "potential identified sources of funds", approve the proposed resolution.



**ESTIMATED CONSTRUCTION COSTS FOR PROPOSED IMPROVEMENTS
AT SAN FRANCISCO MARINA SMALL CRAFT YACHT HARBOR
WEST HARBOR (Phase I of II)**

Description	<u>Cost \$2005</u>	<u>Cost Escalated to midpoint of construction in 2009</u>
1. <u>Pumpout System</u> Install sewage pump out facilities at public docks for boat use. <i>Expected to be funded through a grant program administered by the Dept. of Boating and Waterways.</i>	0	0
2. <u>New Gangways</u> Install gates in West	56,243	65,000
3. <u>ADA Improvements</u> New signage, striping for parking area, curb cuts and path of travel improvements, only access to parking areas	169,000	194,000
4. <u>Breakwater</u> Install a rock breakwater connected to existing peninsula; install a south segment extending from Marina Green seawall.	1,223,000	1,403,000
5. <u>Building Improvements</u> Upgrade public restrooms and tenant shower facilities for ADA compliance. Renovate degaussing station to be used as the Harbor Office.	506,000	581,000
6. <u>Dredging</u> Dredge channels and area under berths.	450,000	516,000
7. <u>Floating Dock Replacement</u> Replace docks and gangways, in the process revise number and configuration of berths, reducing number of boat slips, increase average length of berths from 32 to 36 feet. Remove creosote-treated wood piles and replace with concrete piles.	7,255,000	8,324,000
8. <u>Mole Removal</u> Remove small parking peninsula and pedestrian pier west of Harbor Office to facilitate new berth configuration.	634,000	727,000
9. <u>Repair Revetments</u> Add new rip rap and provide filter fabric	534,000	613,000

Description (continued)

	<u>Cost</u> <u>\$2005</u>	<u>Cost Escalated to</u> <u>midpoint of</u> <u>construction in</u> <u>2009</u>
10. <u>Electrical Service Upgrades</u>	141,000	163,000
Upgrade electrical service as part of floating dock replacement.		
10% Construction Contingency	1,097,000	1,259,000
Engineering, Permitting, Administration and Construction Management	2,314,000	2,655,000
TOTAL	\$14,380,000	\$16,500,000



ESTIMATED CONSTRUCTION COSTS FOR PROPOSED IMPROVEMENTS
AT SAN FRANCISCO MARINA SMALL CRAFT YACHT HARBOR
EAST HARBOR (Phase II of II)

Description	Cost \$2005	Cost Escalated to midpoint of construction in 2011
1. <u>Floating Dock Replacement</u> Replace docks and gangways, in the process revise number and configuration of berths, reducing number of boat slips, increase average length of berths from 32 to 36 feet. Remove creosote-treated wood piles and replace with concrete piles.	4,446,587	5,626,000
2. <u>New Dock Utilities</u> Upgrade electrical, water and telephone infrastructure, including fire protection stations as part of floating dock replacement.	1,345,720	1,702,000
3. <u>Breakwater</u> Install a rock breakwater connected to existing peninsula; install a south segment extending from Marina Green seawall.	1,631,053	2,063,000
4. <u>New Gangways</u> Install gates in West	224,973	285,000
5. <u>ADA Improvements</u> New signage, striping for parking area, curb cuts and path of travel improvements. Access to parking areas	168,730	213,000
6. <u>Pumpout System</u> Install sewage pump out facilities at public docks for boat use. <i>Expected to be funded through a grant program administered by the Dept. of Boating and Waterways.</i>	0	0
7. <u>Oily Water System</u> Install new facilities to pump oily bilge water at public docks for boat use. <i>Expected to be funded through a State grant program.</i>	0	0
8. <u>Repair Revetments</u> Add new rip rap and provide filter fabric	815,526	1,032,000
9. <u>Security Systems</u> Install close circuit TV camera system at all gates; install 911-alarm and direct telephone link to Harbor Office to facilitate remote gate key operation.	0	0
10. <u>Dredging</u> Dredge channels and area under berths.	1,574,810	1,993,000

Description

Cost
\$2005

Cost Escalated
to midpoint of
construction in
2009

Building Improvements

1,856,026 2,340,000

Upgrade public restrooms and tenant shower facilities for ADA compliance. Renovate degaussing station to be used as the Harbor Office.

Electrical Service Upgrades

949,385 1,201,000

Upgrade electrical service as part of floating dock replacement.

Landscape Improvements

0 0

Replace vegetation and landscape features that deteriorated over time or have been vandalized.

Parking Control

0 0

Install parking access control gates to all lots, to be operated during peak hours to allow boater-only access to parking areas

10% Construction Contingency 1,301,000 1,646,000

Engineering, Permitting,
Administration and Construction Management 1,106,000 1,399,000

TOTAL \$15,419,809 \$19,500,000

DEPARTMENT OF BOATING AND WATERWAYS

2000 EVERGREEN STREET, SUITE 100
SACRAMENTO, CA 95815-3888
(916) 263-1331

Attachment II
Page 1 of 2



June 1, 2005

Mr. Brad Gross
Manager of Marina Operations
San Francisco Marina
3950 Scott Street
San Francisco, CA 94123

Dear Mr. Gross:

This letter is written in response to your inquiries concerning the status of the San Francisco Marina East Harbor loan application and the relationship between the East Harbor project and the slip rental fee increase currently under consideration by the San Francisco Board of Supervisors.

The Department of Boating and Waterways Commission (DBW) has approved, in concept, financing for the entire Marina project. The Commission considered the entire project (both East and West Harbors) in its decision but only approved funding for the West Harbor project due to FY 04/05 budget limitations. By law the Commission cannot approve the expenditure of future funds.

DBW is currently considering the remainder of the Marina project (i.e., the East Harbor renovations) for inclusion in the FY 06/07 Governor's Budget. A final list will not be available until January 2006. DBW's decision to finance the East Harbor project will be predicated on the availability of DBW budgetary funds to provide the loan and the demonstrated ability of the Marina to generate revenues sufficient to repay the loan.

Although the East Harbor project has not been approved for funding by DBW, DBW will rely on East Harbor revenues, more specifically increased revenues from the East Harbor, to justify its decision to finance the remainder of the Marina project. If the City fails to increase slip revenues as projected in the Marina project feasibility report, DBW would have the option to withdraw its commitment to fund the West Harbor project. Although the loan contract does not give specific dates for fee increases, the feasibility report (which will be made part of the loan contract when it is executed) states how much fees will increase over a five-year period. Delaying fee increases now will require larger increases in the future to meet the revenue projections included as part of the Marina project's loan application.

Mr. Gross
June 1, 2005
Page 2 of 2

I noted earlier that the East Harbor project is one of the projects being considered by DBW for the FY 06/07 Governor's Budget. A deciding factor in ranking projects for loan funding is ability to repay. If you are interested our ranking criteria can be found in the California Code of Regulations; Title 14, Division 4, Chapter 1, Article 1.1, Section 5104. Assuming fees are not raised above market rates, a fee increase will augment the Marina's ability to repay the loan, which can only help the project's ranking.

Finally, I should mention recent changes to DBW's Commission. The Governor has appointed five new members to DBW's Commission. The current Commission has been very vocal concerning DBW staff making sure that marinas funded by DBW charge market rates for their services. In addition, recent statute changes require DBW to make sure that rates charged at DBW-funded marinas are sufficient to cover all expenses.

If you have any questions please feel free to contact Harold Flood, Boating Facilities/Planning at 916/263-8165 or by e-mail at hfflood@dbw.ca.gov.

Sincerely,

David Johnson
Acting Deputy Director

Marina Harbor Project (West Harbor Only)

Cash Flow Assumptions (per BOS approval):

Rental Rate increases:(23%, 20%, 4% for 3 yrs, 37% & 3% thereafter)

Construction Cost: \$16,500,000

Funding Option: California Department of Boating and Waterways Loan (the "DBW Loan")

Fiscal Year	Net Revenues	DBW Loan	Surplus/ (Shortfall)	Use of Surplus Fds \$1,390,000	Cummulative (+/-)	Debt Coverage Ratio
2006	\$94,985		\$94,985		\$1,484,985	
2007	246,281		246,281		\$1,731,266	
2008	356,513		356,513		\$2,087,779	
2009	377,513		377,513		\$2,465,292	
2010	397,354	\$358,257	(260,904)		\$2,204,388	3.35
2011	830,580	929,542	(98,963)		\$2,105,425	2.27
2012	852,702	929,542	(76,840)		\$2,028,585	2.18
2013	875,358	929,542	(54,184)		\$1,974,401	2.12
2014	899,094	929,542	(30,449)		\$1,943,952	2.09
2015	923,457	929,542	(6,086)		\$1,937,866	2.08
2016	949,495	929,542	19,953		\$1,957,819	2.11
2017	975,260	929,542	45,718		\$2,003,537	2.16
2018	1,001,303	929,542	71,761		\$2,075,298	2.23
2019	1,027,677	929,542	98,135		\$2,173,432	2.34
2020	1,057,937	929,542	128,395		\$2,301,827	2.48
2021	1,085,640	929,542	156,098		\$2,457,925	2.64
2022	1,115,845	929,542	186,302		\$2,644,228	2.84
2023	1,147,110	929,542	217,568		\$2,861,795	3.08
2024	1,178,498	929,542	248,956		\$3,110,751	3.35
2025	1,211,573	929,542	282,031		\$3,392,782	3.65
2026	1,245,900	929,542	316,358		\$3,709,140	3.99
2027	1,281,047	929,542	351,505		\$4,060,645	4.37
2028	1,317,084	929,542	387,542		\$4,448,187	4.79
2029	1,353,081	929,542	423,539		\$4,871,726	5.24
2030	1,391,614	929,542	462,071		\$5,333,797	5.74
2031	1,430,757	929,542	501,215		\$5,835,012	6.28
2032	1,473,680	929,542	544,138		\$6,379,150	6.86
2033	1,517,890	929,542	588,348		\$6,967,498	7.50
2034	1,563,427	929,542	633,885		\$7,601,383	8.18
2035	1,610,330	929,542	680,788		\$8,282,170	8.91
2036	1,658,640	929,542	729,097		\$9,011,268	9.69
2037	1,708,399	929,542	778,857		\$9,790,124	10.53
2038	1,759,651	929,542	830,109		\$10,620,233	11.43
2039	1,812,440	929,542	882,898		\$11,503,131	12.38
2040	1,866,814	271,285	1,595,529		\$13,098,660	48.28
2041	1,922,818	271,285	1,651,533		\$14,750,193	54.37
2042	1,980,503	271,285	1,709,218		\$16,459,410	60.67
2043	2,039,918	271,285	1,768,633		\$18,228,043	67.19
2044	2,101,115	271,285	1,829,830		\$20,057,873	73.94
2045	2,164,149	271,285	1,892,864		\$21,950,736	80.91
2046	2,229,073	271,285	1,957,788		\$23,908,525	88.13
2047	2,295,945	271,285	2,024,660		\$25,933,185	95.59
2048	2,364,824	271,285	2,093,539		\$28,026,723	103.31
2049	2,435,768	271,285	2,164,483		\$30,191,207	111.29
2050	2,508,842	271,285	2,237,556		\$32,428,763	119.54
2051	2,584,107	271,285	2,312,822		\$34,741,585	128.06
2052	2,661,630	271,285	2,390,345		\$37,131,930	136.87
2053	2,741,479	271,285	2,470,194		\$39,602,123	145.98
2054	2,823,723	271,285	2,552,438		\$42,154,561	155.39
2055	2,908,435	271,285	2,637,150		\$44,791,711	165.11
2056	2,995,688	271,285	2,724,403		\$47,516,114	175.15
2057	3,085,559	271,285	2,814,273		\$50,330,387	185.53
2058	3,178,125	271,285	2,906,840		\$53,237,228	196.24
2059	3,273,469	271,285	3,002,184		\$56,239,412	207.31
2060	3,371,673	271,285	3,100,388		\$59,339,800	218.74

\$91,261,774

\$33,311,974

\$57,949,800



City and County of San Francisco
Recreation and Park Department

McLaren Lodge in Golden Gate Park

501 Stanyan Street, San Francisco, CA 94117

TEL: 415.831.2700 FAX: 415.831.2095 WEB: <http://parks.sfgov.org>

Attachment IV

MARINA MEMORANDUM

TO: Rebekah Krell, Budget Analyst
FROM: Brad Gross, Manager of Marina Operations
RE: SF MARINA SMALL CRAFT HARBOR LOAN
DATE: May 23, 2005

Under the California Department of Boating and Waterways (DBW) loan program for Small Craft Boat Harbor Development, loan documents will be negotiated and finalized only after a loan application has been submitted and approved and funds for the loan have been included in the state budget.

As a general matter DBW has a set of standard terms that they include in most of their loan agreements but the full scope of a Marina loan agreement will be based on the specific characteristics of the project and the revenues it will be able to generate.

DBW's standard loan repayment language will have to be altered to meet the restrictions for the special fund exceptions to the state constitutional debt limit, in that no General Fund money may be pledged to make up any shortfall in repayment from the revenues generated by the project. In preliminary discussions with staff DBW has indicated that these terms would be acceptable.



OFFICE OF THE MAYOR
SAN FRANCISCO



GAVIN NEWSOM

DATE: March 3, 2005
TO: Marina Harbor Project Working Group
FROM: Nadia Sesay
SUBJECT: Marina Harbor Project

Introduction

The purpose of this memo is to provide an update on the financing scenarios for the San Francisco Marina Harbor Renovation (the "Project") based on the California Department of Boating and Waterways' (the "DBW") response to the City loan application and to detail the City's options as the Recreation and Parks Commission (the "RPC") and the Board of Supervisors (the "BOS") contemplate pursuing a Marina berth rental rate increase.

Background

In April 2003, the BOS approved an application to DBW for a loan covering the full Project in an amount of \$38,000,000. In August 2003, the RPC approved berth rental rate increases for both East and West Harbor based on the pending application as follows: 40% increase in fiscal year 2003-04, 4% increase through fiscal year 2006-07, 37% increase in fiscal year 2007-08 and 3% increase thereafter. In November, 2004, the DBW approved a loan of \$16,500,000 to finance the West Harbor renovations alone, and stated there would be no financing available at this time for the East Harbor improvements.

For purposes of this analysis, revenue and expense assumptions are based on the City's feasibility report prepared by Moffatt & Nichol Engineers and Williams Kuebelbeck & Associates, Orion Environmental Associates (the "Feasibility Report") in December 2002 which accompanied the loan application. This analysis also updates the RPC-approved berth rate increase by applying the 40% berth rental rate increase to fiscal year 2005-06 and adjusting the remaining years accordingly as shown above.

West Harbor

In order to maintain viable options for the financing of the East Harbor portion of the Project, it is necessary to segregate the East Harbor revenues for application toward its own financing (See discussion below) or for pay-as-you-go improvements. Therefore the West Harbor alone must generate sufficient revenues to repay the DBW loan financing the West Harbor renovations. Based on the assumptions of a \$16,500,000 DBW loan under DBW's payment conditions, the berth rental rate increases for the West Harbor as approved in August 2003 by RPC would provide sufficient revenues to repay the DBW West Harbor Loan. This analysis assumes that the amount of \$1,390,000 in surplus funds currently held with the Controller will be available to

subsidize the debt service payments when there is a shortfall, as is projected for fiscal years 2009-10 through 2018-19.

The Controller's June 2000 Audit of Marina operations proposed berth rental rate increases of up to 51% after the Project renovation. The revenues generated under such a fee structure will not be sufficient to repay the DBW West Harbor Loan. The shortfall ranges from \$50,000 to \$564,000 annually through maturity and the surplus of \$1,390,000 will run out in fiscal year 2012-13. If the 51% berth rental rate increase was implemented in fiscal year 2000-01 based on CPI increases since 2000, the revenues generated would be sufficient to support the West Harbor renovations.

In response to a proposal advanced by interested outside parties, staff also suggested we explore berth rental increases of 12% for 4 fiscal years and 3% increases thereafter. Based on the assumptions detailed above, our projections indicate that the West Harbor revenues generated under such a structure would not be sufficient to repay the DBW West Harbor Loan. The shortfall ranges from \$50,000 to \$635,000 annually through maturity and the currently held surplus of \$1,390,000 will be exhausted in fiscal year 2011-12.

After the Operation Park Committee of the Recreation and Park Commission hearing held on February 2, 2005, RPC suggested we explore berth rental increases of 23%, 20%, 4% for 3 fiscal years, 37% and 3% each fiscal year thereafter. Based on the assumptions detailed above, our projections indicate that the West Harbor revenues generated under such structure would provide sufficient revenues to repay the DBW West Harbor Loan. This analysis assumes that the amount of \$1,390,000 in surplus funds currently held with the Controller will be available to subsidize the debt service payments when there is a shortfall, as is projected in a number of fiscal years between 2004-05 and 2017-18.

East Harbor

The cost associated with the renovation of the East Harbor is \$19,500,000. In the absence of DBW financing, the City's financing options for the East Harbor renovations are limited. The most efficient available option would be an issuance of Certificates of Participation ("COPs"), with East Harbor revenues used to fulfill the City's debt service obligation. An issuance of COPs is a more expensive option than the DBW loan. In a COPs transaction, borrowing costs are increased by the need to fund reserves, including capitalized interest, and to pay costs of issuance. On the other hand, the full amount of COP proceeds would be available immediately to apply to project costs, unlike the DBW loan under which loan proceeds are received over several years and thus construction phasing costs are increased.

Based on the rental rate increases approved by the RPC in August 2003, the revenues generated by the East Harbor will not be sufficient to repay a hypothetical COP issuance. Even after reducing the scope of the renovation to an \$8,000,000 project (which represents the lowest principal amount at which it is economically efficient to issue COPs), the revenue shortfall will range from \$8,000 to \$708,000 annually through fiscal year 2019-20. East Harbor revenue would also be insufficient in the various berth rental rate increases structures identified under the West Harbor renovations above.

Although an additional DBW loan for the East Harbor improvements has not been awarded nor applied for, this analysis was extended to a hypothetical DBW loan for the East Harbor portion of the Project. Applying the payment schedule on the DBW Loan on the West Harbor to a hypothetical East Harbor DBW loan, the revenue generated by the East Harbor under the RPC's proposed fee increase does not generate sufficient revenues to finance the full amount of renovations at the East Harbor. This is due to the fact that the East Harbor contains considerably less linear footage than the West Harbor.

Conclusion

The berth rental rate increases of 23%, 20%, 4% for 3 fiscal years, 37% and 3% each fiscal year thereafter, discussed at the RPC Operation Committee on February 2, 2005 will be sufficient to repay the DBW loan for the West Harbor renovations. In addition, if the berth rental rate increases approved by the RPC in August 2003 were adopted for the Marina, the West Harbor would generate revenues sufficient to repay the DBW loan for the West Harbor renovations. Further analysis needs to be conducted to determine the appropriate financing option, rental rate and scope of renovation on the East Harbor portion of the Project. Possible options include applying for a DBW loan to support the renovations of at the East Harbor, reducing the scope of the East Harbor renovations or instituting a larger rental rate increase for the East Harbor than previously proposed.

Finally, Exhibit A hereto provides the cash flows associated with the West Harbor. Additional detail regarding each of the various berth rental rate structures discussed above are available upon request. In addition, cash flows associated with the East Harbor and additional detail regarding each of the various berth rental rate structures are available upon request.



MEMORANDUM

To: Harvey Rose

From: Katie Petrucione

Re: Marina Project Related Expenditures to Date

Date: September 19, 2005

The Recreation and Park Department engaged a consultant in August 2003 to work on a Mitigated Negative Declaration for the Marina Project. After receiving significant public input, RPD decided in May 2004 to carry out an Environmental Impact Report for the project. The EIR, which was undertaken by the same consulting firm that had worked on the Negative Declaration, is nearly complete. To date, the department has expended approximately \$520,000 on the environmental review process. This includes \$290,000 for the consultant's work, \$54,000 in City Planning fees and \$171,000 in Department of Public Works staff costs. Should the project receive approval, the West Harbor loan from the state will cover these expenditures.



Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

Item 2 - File 05-1747

- Departments:** Department of Public Health (DPH)
Planning Department
Police Department
Fire Department
Department of Building Inspection (DBI)
- Item:** Ordinance amending the Planning Code, Health Code, Traffic Code and Business and Tax Regulations Code to impose permanent controls on medical cannabis dispensaries in San Francisco.
- Description:** On October 6, 2005, the Budget and Finance Committee severed the proposed legislation and continued this ordinance to allow for additional amendments to the one-time application fee and ongoing license fees, as recommended by the Budget Analyst's Office. Detailed discussion of the specific recommendations is contained in the Budget Analyst's report for the October 6, 2005 Budget and Finance Committee Meeting.
- Comments:** The specific recommendations made by the Budget Analyst and accepted by the Budget and Finance Committee are as follows:
- Reduce the one-time non-refundable application fee by \$1,286 from \$7,396 to \$6,110,
 - Amend the annual license fee of \$2,182 to \$3,100, to more accurately reflect current DPH costs, and
 - Amend the proposed ordinances to reflect that medical cannabis dispensaries would be required to pay a total cost of \$9,210 for only the first year of operation, with the \$3,100 annual license fee paid to the Tax Collector, prior to the issuance of the initial operating permit by DPH.
- Recommendations:** Approve the proposed ordinance.

Item 3 - File 05-1297

Note: This item was continued by the Budget and Finance Committee at its meeting of October 6, 2003.

Department: Department of the Environment (DOE)
Department of Public Works (DPW)

Item: Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$61,223.20 from Air Products and Chemicals, Inc. to complete site work for a hydrogen fueling station to be located at Central Shops, 1800 Jerrold Avenue in San Francisco.

Amount: \$61,223.20

Source of Funds: A grant from Air Products and Chemicals, Inc.

Grant Period: June 30, 2005 through June 30, 2006

Matching Funds: None Required

Indirect Costs: None included. Grant does not permit charging of indirect costs

Description: The Department of the Environment is requesting approval to accept and expend grant funds totaling \$61,223.20 from Air Products and Chemicals, Inc. for the purpose of completing site work construction for the installation of a permanent hydrogen fueling station at 1800 Jerrold Avenue, the location of the City's Central Shops. According to Mr. Jared Blumenfeld, Director of the Department of the Environment, the site work construction will be performed on an in-house basis by the Department of Public Works. Once the site work construction is completed by the Department of Public Works, the permanent hydrogen fueling station will be provided and installed by the grantor, Air Products and Chemicals, Inc. at no cost to the City.

Budget: A summary budget totaling \$61,223.20 for the proposed site work construction to be performed by the Department of Public Works for the permanent hydrogen fueling station is as follows:

Cement Work	\$33,776.48
Electrical	13,898.32
Paint	3,074.00
Sheet Metal	8,316.80
Contingency	<u>2,157.60</u>
Total Grant	\$61,223.20

The Attachment provided by Mr. Blumenfeld, contains additional cost details to support the above summary budget.

Comments:

1. As noted above, the proposed resolution authorizing the Department of the Environment to accept and expend these funds totaling \$61,223.20 from Air Products, Inc. was introduced to the Board of Supervisors on July 12, 2005 and considered for adoption without Committee reference on July 19, 2005 when it was referred to Budget and Finance Committee. Mr. Blumenfeld states that the Board of Supervisors raised a concern about whether the hydrogen fuel which the City would use was from renewable sources. Mr. Blumenfeld states on page 3 of the attached memorandum that the former Manager in charge of the Clean Air Program believed that he had resolved these concerns satisfactorily. However, the Budget Analyst notes that the Department is unable to provide any additional details on how the concerns of the Board of Supervisors have been resolved at this time. Based on the above, approval of this resolution is a policy matter for the Board of Supervisors.
2. According to Mr. Blumenfeld and as explained in the Attachment, the Air Products and Chemicals, Inc. wants to provide the City with a grant to complete the site work construction and install a hydrogen fueling station on the completed site at no cost to the City, because it will provide Air Products and Chemicals, Inc. with an opportunity to move the hydrogen fuel technology

BOARD OF SUPERVISORS

BUDGET ANALYST

forward and could result in a broader market for such technology. Mr. Blumenfeld added that since hydrogen fuel technology is still in the developmental stages, having such technology used by the City could help accelerate its adoption.

Recommendation: In accordance with Comment No. 1 above, approval of the proposed resolution is a policy matter for the Board of Supervisors.



SF Environment

Our home. Our city. Our planet.



GAVIN NEWSOM
Mayor

JARED BLUMENFELD
Director

Attachment 1 to Item 2 - File 05-1297

Department: Department of the Environment (DOE)
Department of Public Works (DPW)

Item: Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$61,223.20 from Air Products and Chemicals, Incorporated to complete site work for a hydrogen fueling station to be located at Central Shops, 1800 Jerrold Avenue in San Francisco.

Amount: \$61,223.20

Summary: Installing a permanent hydrogen fueling station is basically Phase 2 of a 3-phase project to allow the City to secure hydrogen from a renewable energy source. In the first phase, the City purchased hydrogen, which was distributed through a temporary fueling station. Phase 2 allows for the permanent station to be built and ultimately include an electrolyzer unit to separate the hydrogen from water. Phase 3 includes operating the electrolyzer unit with renewable energy sources. Note that no General Funds are being used on any phase of the project.

Overview of the Hydrogen as an Energy Source

Hydrogen has been sited as one of the cleanest energy sources available—the only emission is H_2O —pure water. A hydrogen based energy economy offers a potential solution to satisfying global energy requirements while reducing carbon dioxide and other greenhouse gas emissions and improving energy security.

Research is currently being completed to investigate how hydrogen can be routinely produced and safely stored and delivered to customers to use in residential, commercial, industrial and transportation uses. It is anticipated that hydrogen powered fuel cells and engines will be common as the gasoline and diesel engines of the late 20th century. Many scientists and engineers agree that hydrogen will power our cars, trucks, buses, and other vehicles, as well as our homes, offices, and factories.

The State of California is committed to this clean fuel alternative and is in the process of developing a “hydrogen highway” from Sacramento to San Diego. Prior to 2003, the City of San Francisco had no presence on this highway. In February 2003, the San Francisco Commission on the Environment and its Board of Supervisors passed resolutions calling for San Francisco to become a “Hydrogen City” and committed to playing an important role in deployment of hydrogen technologies and their associated infrastructure requirements. Specifically, the resolutions called for pilot projects using hydrogen as a clean alternative fuel.

Overview of the Current Hydrogen Fuel Cell Vehicle Project

San Francisco’s goal of integrating hydrogen power vehicles into the City vehicle fleet is part of a larger effort to champion clean air vehicles and energy both locally and in the State of California. The City’s current vehicle fleet composition reflects its commitment to adopt cleaner technologies and fuels—more than 25% of the City’s vehicle

phases in the past four fiscal years have been alternative fueled vehicles (AFVs) such as those using Compressed Natural Gas. With each type of AFV, fleet maintenance and operations staff gain valuable experience and knowledge. Working with the Board of Supervisors Hydrogen resolution, in Fall 2003, the Department of the Environment began to investigate hydrogen fuel cell vehicle demonstration projects, which could provide an opportunity for local officials (fire marshal, health and safety officers, mechanics, fleet managers, and others) to learn about this new clean vehicle technology without committing significant City resources.

Hydrogen fuel cell vehicles are currently being produced in extremely small quantities and are being allocated to a select few fleet operators in California for pilot demonstration programs. After an extensive process, during which SFE had numerous meetings with car manufacturers and infrastructure vendors, the Department of the Environment was able to arrange to lease fuel cell vehicles and temporary fueling infrastructure from San Francisco Honda. At the time of the selection process, Honda was the only manufacturer able to offer a vehicle that is certified by the State to operate on California freeways and has arguably the most advanced fuel cell program in the industry. In September of 2003, Honda officially announced their selection of the City and County of San Francisco as a demonstration partner in their fuel cell program.

Contributing to the competitive nature of the selection process was that several other cities also wanted to be the sites of pilot projects so they would be seen as being on the cutting edge of new technologies. In addition, the Honda vehicles, valued at \$1.5 million each were leased to City at a highly reduced rate.

In March 2004, the Department of the Environment entered into a contract with American Honda and the cars were delivered to the City at that time. It was difficult to set up a pilot project to lease vehicles without a hydrogen fueling infrastructure in place and Honda negotiated with the City to provide this infrastructure as part of the contract—again at a highly reduced rate. Thus, the contract with Honda includes the lease price for the vehicles as well as the cost of the hydrogen infrastructure necessary to operate the cars—the hydrogen, a temporary hydrogen fueling station, as well as maintenance and insurance for the vehicles. The provider of hydrogen named in the contract is Air Products and Chemicals, INC and they have been providing hydrogen to a temporary fueling station.

Fuel Cell Vehicle Pilot Project Success

Integrating these fuel cell vehicles into the City's fleet has added to our knowledge base for handling hydrogen and dealing with infrastructure and safety issues. This knowledge will be used for long-term decision making about infrastructure development, training, and vehicle purchases as hydrogen becomes a more ubiquitous fuel choice. The criteria for success of the project is that the two fuel cell vehicles are operating under standard fleet conditions and all stakeholders such as Honda, other car manufacturers, hydrogen companies, and Clean Air professionals are interested in their operation and performance, as well as continuing to develop an understanding of using hydrogen as an alternative fuel source. The fact that the pilot project is happening is the success.

Secondarily, the fact that this project has been a high profile one for the City cannot be overlooked. It has ensured that San Francisco maintains its position as one of the leaders in urban sustainability and puts the City well on the way to being positioned to participate in the new hydrogen economy. The project has been funded by stakeholders interested in the technology.

Through the California Air Resources Board's (CARB) Zero-emission vehicle Incentives Program (ZIP) grants to the City has been able to pay for the vehicle leases (\$24,000). Additional funding for the project has been provided by the Richard and Rhoda Goldman Fund (\$25,000), PG&E (\$50,000), the Transportation Fund for Clean Air (\$100,000). All of these stakeholders are interested in supporting these kinds of projects that allow the hydrogen fuel cell vehicles to operate for an extended period of time under fleet conditions and in a varying terrain such as San Francisco's myriad hills and grades.

Building a Permanent Hydrogen Fueling Infrastructure

At some point in the future, the City will operate hydrogen vehicles at the same cost that it operates any other of its vehicles. By accepting Air Products donation of a permanent hydrogen fueling station now, the City will be prepared to participate in using this fuel.

In addition, currently technology is already available to use a mix of hydrogen and Compressed Natural Gas (CNG) in existing vehicles to produce an even cleaner burning fuel and the potential is there for the City to again take a leadership role in deploying this particular hydrogen technology. The City already operates an array of CNG vehicles and this fuel mix could potentially be utilized if costs would be no different than the on-going fuel costs the City already incurs in the daily use of its fleet vehicles.

Work for the project will begin as soon as funds are received by the City, approximately the end of October or early November, and should take 6 weeks to complete. The project will not depend on support from the City's General Fund.

History of Current Resolution

The resolution authorizing the DOE to accept and expend these funds totaling \$61,223.20 from Air Products, Inc, was introduced to the Board on July 12, 2005 and was to be voted on at the July 19, 2005, meeting. At that time, this resolution was referred to the Budget and Finance Committee for further investigation, as there had been some concern about whether the hydrogen the City will be using comes from renewable sources. Rick Ruvalo, the former Manager of the Clean Air Program stated that he had addressed the any concerns of the Board satisfactorily. He has since retired from City employment—his replacement will oversee the final phases of this project.

In Conclusion

Currently, there are very few projects that allow stakeholders to understand how hydrogen fuel cell technology works in a real-world setting. This project has given both Honda and Air Products an opportunity to move the technology forward and accelerate the adoption of a clean hydrogen economy. The residents of San Francisco and its Board of Supervisors can be proud of its historic contribution to the development of this important technology.

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BBR

PAGE 02/05

1021

**Department of Public Works
Bureau of Building Repair
Proposal**



To: 3/3/2005
JIM JOHNSON
From: PETER CHORNEAU Maintenance Planner
695-2039
Dept: PURCH

Project Name: HYDROGEN FUEL STA CTL SHOP rev
Project Location: 800 QUINT STREET Contact Person: JIM JOHNSON Contact Phone: 550-4603
Scope of Work: BBR Manager: Rich Bridgman 695-2037 *MS 3/4/05*

Install rough utilities for new Hydrogen Fuel Station @ Central Shops:

- Saw cut asphalt, excavate, back fill and pour concrete base for new asphalt for electrical trenches approx. 160 lf by 1'-0" wide by 18" deep. Core drill 4 holes for electric shop
- Saw cut asphalt, excavate, form and pour concrete for (4) steel reinforced pads per plan. Furnish, install and paint (30) steel bollards to surround pads
- Install electrical power of 230/3 phase 25 amps to service station E100E, provide 120/20 amps/60 hz service for telemetry, provide and install twisted shielded pair cable for emergency stop. Furnish and install grounding system
- Remove approx. 120 lin.ft of existing fence fabric and install new fabric with redwood-colored vinyl slats using existing framing
- Remove existing pavement markings; paint new yellow striping and stencil 'No Parking' zone

Project Administration Manager
Sub-Total

In-House :

	Labor Cost:	***Material Cost:	
Carpentry	0	0	0.00
Cement	\$29,161.48	\$4,615.00	33,776.48
Electrical	10,998.32	2,900.00	13,898.32
Glazier	0	0	0.00
Locksmith	0	0	0.00
Painter	2,674.00	400.00	3,074.00
Plumber	0	0	0.00
Steamfitter	0	0	0.00
Sheet Metal	5,516.80	2,800.00	8,316.80
Sub-Total*			<u>\$59,065.60</u>

Other Services 0.00
Inspection Services 0.00
Project Contingency** \$2,157.60

Total Fixed Price \$61,223.20

Pete Chorneau
Bureau Head Signature

3-4-05
Date

[Signature]
Deputy Director Signature

3/4/05
Date

NOTE: This estimate does not include the cost of abatement and/or removal of any hazardous materials that may present at your facility or job site unless otherwise indicated. If asbestos or other hazardous material are discovered, delays in completion of project may occur, and additional abatement costs will be the responsibility of the requesting agency.

Contingencies will be credited back to the department if the project does not have cost over-runs.

** Mark-up sales tax and freight charges are included

This proposal is valid for 30 days unless otherwise requested. If you have any questions regarding this proposal, please contact Pete Chorneau @ 695-2039



Text223:



ESTIMATE	1021	DATE	03/03/2005	TITLE	HYDROGEN FUEL STA CTL SHOP rev	
ADDRESS:	800	QUINT STREET	ROOM/FLOOR	OPEN AREA		
CONTACT:	JIM	JOHNSON	AREA	415	PHONE	550-4603
ADDRESS	800	QUINT STREET	CITY	SAN FRANCISCO		
DEPARTMENT	PURCH					

SCOPE OF WORK:

PLANNER: PETER CHORNEAU

685-2039

- Saw cut asphalt, excavate, back fill and pour concrete base for new asphalt for electrical trenches approx. 160' by 1'-0" wide by 18" deep. Core drill 4 holes for electric shop
- Saw cut asphalt, excavate, form and pour concrete for (4) steel reinforced pads per plan. Furnish and install (30) steel bollards to surround pads
- Install electrical power of 230/3 phase 25 amps to service station E100E, provide 120/20 amps/60 hz service for telemetry, provide and install twisted shielded cable for emergency stop. Furnish and install grounding

NOTATIONS:

MANAGER:

Rich Bridgman 685-2037

Deleted from original scope: provide and install 20' light pole with two 250w HPS fixtures.

Need to reduce Electrician's estimate

Steve Hoffman (707) 748-7585 (Air Products) will be funding project

DESCRIPTION 1

LEAD SAMPLES

ASBESTOS SAMPLES

CRAFT NAME	RATE	HOURS	MATERIALS	CRAFT TOTALS
ELECTRICIAN	80.87	138	\$2,900.00	\$13,898.32
CEMENT SUP 1	88.49	24	\$0.00	\$2,123.76
CEMENT MASON	65.21	160	\$4,815.00	\$15,048.60
LABORER	53.65	258	\$0.00	\$14,378.20
TRUCK DRIVER	69.58	32	\$0.00	\$2,225.92
SHEETMETAL	86.20	64	\$2,800.00	\$8,316.80
PAINTER	66.85	40	\$400.00	\$3,074.00

TOTAL NON-LABOR: \$10,715.00

TOTAL LABOR: \$48,350.80

TOTAL CRAFT COST: \$59,065.60

TOTAL PROJECT COST

\$61,223.20

Item 4 - File 05-0916

Note: This item was continued by the Budget and Finance Committee at its meeting of October 6, 2005.

Departments: Public Utilities Commission (PUC)
Department of the Environment (ENV)
Local Agency Formation Commission (LAFCO)

Item: The proposed resolution would submit the LAFCO submitting Policy and Program Recommendations for a Community Choice Aggregation (CCA) Program and approving a CCA Implementation Plan.

Background: On May 11, 2004 the Board of Supervisors approved an ordinance establishing a Community Choice Aggregation (CCA) Program to purchase electrical power directly for San Francisco residents and businesses and to accelerate renewable energy, conservation, and energy efficiency programs (Ordinance 0086-04). This ordinance required the PUC and ENV to jointly prepare and submit a CCA Implementation Plan (IP) to the Local Agency Formation Commission (LAFCO). AB 117, the State legislation enabling municipalities in California to become community choice aggregators, outlines what must be included in such an IP for submittal to the California Public Utilities Commission (California PUC). The California PUC then reviews and certifies the IP, thus allowing the City to begin purchasing power on behalf of its residents and businesses.

The PUC and ENV submitted a draft IP to LAFCO on April 27, 2005, as required by Ordinance 0086-04, and Local Power, a non-profit organization, submitted a draft IP to LAFCO in April of 2005. On May 13, 2005, LAFCO accepted and transmitted Local Power's draft IP, as amended by LAFCO, to the Board of Supervisors (File 05-0916). Following the transmittal to the Board of Supervisors of Local Power's draft IP, LAFCO held a series of hearings during the months of June, July, and August of 2005 to resolve the differences between Local Power's draft IP and the PUC/ENV draft IP. The product of these hearings was a resolution submitting LAFCO's policy and program recommendations for the City's CCA Program to the Board of Supervisors (File 05-1417).

On September 15, 2005 the Budget and Finance Committee heard both of these CCA resolutions (Files 05-0916 and 05-1417). The Committee requested that these two files be merged into the proposed subject resolution (see Comments Nos. 1 and 2).

**One-Time
Start-Up Costs:**

As further described below, the total one-time start-up costs for the implementation of a CCA Program is currently estimated to be between \$8,871,316 and \$12,100,948. This amount represents the estimated costs to be incurred by the City prior to revenues from power sales being realized by the City. Potential sources of funds to pay for these proposed one-time start-up costs are described in a later section of this report.

The Budget Analyst notes that there are a number of fundamental issues related to the CCA Program's governance and functions that have yet to be decided. These issues may have a significant impact on the budget for CCA implementation, and are described further in Comments Nos. 1, 2 and 3. Therefore, the Budget Analyst has included recommendations at the end of this report that the Board of Supervisors amend the subject resolution in order to clarify these issues.

At the September 15, 2005 Budget and Finance Committee meeting, Local Power submitted a budget containing the estimated one-time start-up costs to implement its draft IP. Attachment VI, submitted by Mr. Paul Fenn of Local Power, summarizes this budget. Table 1 below, compiled by the Budget Analyst and based on information in Attachment VI, shows that the one-time, start-up costs of the CCA Program implementation would be \$12,100,948.¹

¹ Note that this total budget figure and the figures in Table 1 differ somewhat from Local Power's proposed program budget presented in the September 15, 2005 Budget and Finance Committee. The Budget Analyst requested information from Mr. Fenn supporting Local Power's proposed program budget that was presented on September 15, 2005. When such information was submitted to the Budget Analyst on Friday, September 23, 2005, the budgeted amounts differed somewhat from the data previously presented to the Budget and Finance Committee.

**Table 1: Summary of Local Power's Proposed One-Time Start-Up Budget
 for the CCA Program**

Phase	Work to be Done by Program Director (see Comment No. 1)	Work to be Done by PUC *	Total Budget
Start-Up	\$ 508,536	\$ 207,788	\$ 716,324
Program Development	1,653,372	1,976,016	3,629,388
Procurement	2,370,312	1,122,377	3,492,689
Basic Service Implementation	1,628,160	2,634,387	4,262,547
Total	\$6,160,380	\$ 5,940,568	\$12,100,948

* Note that this is Local Power's proposed budget for the work to be done by the PUC, and the above figures have not been generated or analyzed by the PUC. The Budget Analyst also notes that the annual salaries used to generate the budget amounts for PUC staff work are based on the City's Annual Salary Ordinance. According to Mr. Fenn, the compensation rates for the work done by the Program Director are based on the current market rates for comparable work.

The Budget Analyst also requested the PUC to provide a detailed CCA implementation budget based upon the policy and program recommendations contained in the subject resolution. The following Table 2, compiled by the Budget Analyst, based on information provided by PUC Power Enterprise staff, summarizes the PUC's preliminary proposed one-time start-up budget for a CCA Program.

Table 2: Summary of PUC's Preliminary One-Time Start-Up Budget for the CCA Program (Based on LAFCO Policy and Program Recommendations)

Activity	Estimated Cost
Implementation Plan Finalization*	\$ 240,000
Customer Data Updates*	10,000
Request for Proposals*	150,000
Customer Call Center	250,000
PG&E Service Fees**	838,508
Communications Budget	4,350,000
Upgrades to Customer Care Center Facilities	750,000
Subtotal	\$6,588,508
Minimum Start-Up Staffing ***	2,282,808
Total at 50% Staffing Cost	\$8,871,316
Maximum Start-Up Staffing ***	3,424,213
Total at 75% Staffing Cost	\$10,012,721

*These items are all currently funded in FY 2005-2006, for a total of \$400,000 in professional services contracts.

** According to Mr. Joe Como from the City Attorney's Office, this amount may change as a result of forthcoming decisions to be made by the California PUC (docket R.03-10-003).

*** The PUC's proposed program budget assumes hiring 27 FTEs for the implementation of the CCA Program, the majority of which will be required prior to full implementation in the "staffing up" period. However, PUC Power Enterprise staff state that because it is still too early to precisely calculate how much in advance of full implementation each FTE will be needed and because of the many unknowns related to the CCA implementation timeline, the PUC provided two preliminary start-up staffing estimates, ranging between \$2,282,808 to \$3,424,213. PUC Power Enterprise staff advise that the second estimate includes staffing for energy efficiency and marketing efforts. Attachment V provides a fuller discussion of the start-up costs for staffing, including the assumptions behind them.

As shown in Table 2 above, the total estimated costs for CCA implementation, as proposed by the PUC, would be between \$8,871,316 and \$10,012,721. Also as noted in the footnote to Table 2, the PUC's proposed budget includes \$400,000 in funds that were previously appropriated by the PUC for CCA in FY 2005-2006. Therefore, the additional new funding required to implement the PUC's proposed program budget is between \$8,471,316 and \$9,612,721.

PUC Power Enterprise staff provided the following supporting documentation related to the PUC's preliminary proposed CCA Program budget:

- (a) Attachment I includes a summary of estimated one-time activities and costs (excluding staffing);
- (b) Attachment II includes start-up costs (including start-up staffing costs and customer call center upgrade costs);
- (c) Attachment III includes a more detailed estimate of the communications budget included in Attachment I;
- (d) Attachment IV includes the PUC's FY 2005-2006 budget and expenditure plan for CCA; and,
- (e) Attachment V includes an accompanying memo further describing Attachments I, II, III and IV.

Attachment V states that the PUC has assumed funding for energy efficiency marketing efforts which will be obtained externally² of the CCA Program's budget, and therefore, these costs are not included in the PUC's proposed budget. According to Attachment V, if the final IP requires significant energy efficiency marketing efforts directed at individual customers without a source of external funding, it would result in start-up staffing costs significantly higher than those presented in Table 2 above. The PUC's table at the bottom of Attachment II estimates these energy efficiency marketing costs to be \$4,707,614 on an annual basis, representing 29 FTEs. The Budget Analyst notes that this is a significant omission from the PUC's proposed CCA Program budget. These energy efficiency marketing costs should be included in the PUC's total proposed CCA Program budget if the PUC believes that these functions would be necessary.

The Budget Analyst notes that the PUC's proposed budget also does not include consideration for costs associated with office space for new PUC staff. In response to Budget Analyst inquiries regarding benchmarks or analyses for the PUC's staffing allocations, PUC Power Enterprise staff advise that the

² Attachment V states that a potential external source of funding for energy efficiency marketing efforts would be from "Public Goods Surcharge" monies currently paid by San Francisco ratepayers to PG&E.

PUC's consultant, the Structure Group, provided staffing recommendations, based on similar work which the consultant has performed for electricity service providers in other parts of the country.

**Comparing the PUC
and Local Power
Proposed One-Time
Start-Up Costs:**

The proposed budgets from Local Power and the PUC are relatively similar in magnitude. Whereas Local Power's proposed CCA program budget is \$12,100,948, the PUC's preliminary proposed budget ranges between \$8,871,316 and \$10,012,721 (not including the value of existing PUC staff working on CCA implementation during FY 2005-2006).

The Budget Analyst notes that the budgets proposed by Local Power and PUC have significant differences. These two reported budgets assume different governance structures, have different staffing plans, utilize different timelines, and allocate different amounts of time and resources to the program functions (see Comments Nos. 1 and 2).

Program Activities - The Budget Analyst notes that some of the tasks/activities are only found in one of the two proposed budgets, and each budget bundles and names the implementation tasks and program activities differently. As a result, a comparison of these two budgets is exceedingly problematic.

The following Table 3, compiled by the Budget Analyst, from data provided by Mr. Fenn, and from Attachments I and II, summarizes four of the significant differences in estimated costs between the Local Power and PUC budgets for the performance of comparable program activities:

Table 3: Examples of Differences Between Budgeted Amounts for the Performance of CCA Program Activities

Start-Up / One-Time Activity	PUC's Proposed Budget	Local Power's Proposed Budget*
Communications and Marketing	\$4,350,000	\$2,126,320
IP Finalization	240,000	153,756
RFI/RFQ/RFP Preparation	150,000	1,318,752

*As previously noted, the Local Power's proposed CCA Program budget divides the total budgeted amount, which is shown in Table 1, into a budget for the PUC and a budget for the Program Director. These subtotals are not reflected in the Table 3 for simplicity's sake.

Notably, as shown in Table 3, and according to Mr. Fenn, whereas Local Power's proposed budget calls for \$2,126,320 to be expended for communications/opt out notifications³ and marketing, the PUC's proposed communications budget provides for \$4,350,000 (see Table 2). According to PUC Communications staff, the communications budget for CCA needs \$4,350,000 because the financial success of the CCA Program will rely a great deal on clearly communicating to customers the details of the CCA Program, so as to decrease customers opting-out of the CCA Program based on lack of information about it. Attachment III provides more detail related to the PUC's proposed communications budget.

PUC Power Enterprise staff advise that some of the activities listed in the Local Power proposed program budget details that are not explicitly broken down in the PUC's proposed budget details (such as the development of financial management systems and the development, as needed, of a low income assistance program) are nevertheless extremely useful and should be incorporated into the final CCA Program IP.

Staffing-Attachment VII, compiled by the Budget Analyst with information provided by Mr. Fenn, details Local Power's proposed preliminary start-up staffing plan for CCA Program. As noted above, Attachment II shows the PUC's proposed preliminary start-up staffing for the

³ According to State law, a CCA must provide all potential customers four notices providing them the opportunity to "opt out" of getting their electricity from the City's CCA.

CCA Program. Attachment II shows that the PUC's proposed budget includes 27 staff positions for CCA Program start-up, whereas Attachment VII shows that Local Power's budget includes 44 staff positions, 23 in the Program Director and 21 in the PUC. The Budget Analyst notes, however, that the 23 positions that are part of the Program Director budget will not be City staff positions. Therefore, PUC's preliminary budget includes 17 fewer (44 less 27) total staff positions and 6 more (27 less 21) PUC staff positions than Local Power's proposed budget. As previously noted, the PUC's proposed staffing plan does not include the 29 positions that would be potentially hired for energy efficiency marketing purposes.

In addition to the significant differences between the staffing numbers of the budgets proposed by Local Power and the PUC, there are significant differences between the functions these staff would perform. The PUC's proposed staffing plan includes staff that would be in charge of the customer service and call center functions. Local Power's draft IP and proposed staffing plan does not include these functions, which are assumed to be contracted out.

PUC Power Enterprise staff state that this function should be performed in an in-house civil service capacity and not through an outside contract because the PUC believes that the "public face" of CCA and a sense of City accountability are important to the success of the CCA Program. PUC Power Enterprise staff explained that this sense of public accountability is initially the responsibility of the customer service function during the marketing and opt-out phase of implementation, and, therefore, the PUC plans to incorporate the customer service and call center functions in-house. However, the PUC Power Enterprise staff also stated that they are preparing for any unforeseen needs related to customer care and call center functions by including a contingency of \$250,000 in the proposed CCA program budget for such purposes, which could be used for professional services contracts to augment PUC staffing.

Implementation Timeline - In addition to having very different budget descriptions, activities, and staffing plans, the two proposed program budgets also employ significantly different assumptions about the implementation schedule and order of implementation activities. The Budget Analyst requested the PUC to provide a CCA Program implementation schedule based upon the policy and program recommendations contained in the subject resolution. Attachment VIII, provided by PUC Power Enterprise staff, is the PUC's proposed timeline for the implementation of CCA. As shown in Attachment VIII, the PUC's proposed implementation timeline begins in October of 2005 and ending with service provision in June to August of 2007. The PUC Power Enterprise staff advises that delays, such as delays in a decision regarding the CCA Program's governance structure and funding mechanism, will create commensurate delays in its timeline.

Local Power's proposed program budget includes a timeline for the implementation of the CCA Program, which is included as Attachment IX to this report. As shown in Attachment IX, the Local Power Program Budget implementation timeline is broken down into four phases, beginning in November of 2005 and ending with service provision in April of 2007.

One notable difference in the two timelines is the timing of the Request for Information (RFI) and Request for Qualifications (RFQ) (see Comment No. 4 below). According to PUC Power Enterprise staff, the PUC wishes to initiate the RFI/RFQ process as soon as possible because many unknowns about the structure and viability of the CCA Program will likely be answered through responses the PUC receives to the RFI/RFQ. The PUC's proposed timeline in Attachment VIII circulates the RFI/RFQ to energy suppliers in December of 2005. The Local Power implementation timeline has the RFI/RFQ being issued in late March of 2006.

Costs in FY 2005-2006-According to the PUC's proposed budget, the City will not incur any additional costs in the current fiscal year by approving the subject resolution. Attachment IV, submitted by PUC Power Enterprise

staff, shows the PUC's FY 2005-2006 budget for CCA-related activities, including 3.63 FTEs and \$400,000 in professional services contracts. According to Attachment IV, \$1,315,668 is budgeted from the net operating revenues of the Hetch Hetchy Enterprise Fund for CCA-related activities in FY 2005-2006. Attachment IV also shows the PUC has expended \$228,917 to date of the \$1,315,668 total. The same Attachment provides a PUC expenditure plan for the remaining \$1,086,751 (\$255,417 plus \$453,917 plus \$377,417). PUC Power Enterprise staff advise that the PUC does not anticipate needing any supplemental funding in FY 2005-2006 to continue the PUC's proposed progress toward CCA implementation. However, the Budget Analyst questions whether the PUC has the staffing capacity to complete all of its proposed FY 2005-2006 activities with its current level of staffing, given that the PUC proposes staffing up to 27 positions (or 56 positions, including the 29 energy efficiency marketing positions noted above which have been omitted from the PUC proposed CCA Program budget) in FY 2006-2007 and yet currently only has 3.63 FTEs budgeted.

Although the approval of the proposed subject resolution does not mandate the expenditure of additional funding in the current fiscal year, if the final IP utilizes Local Power's proposed program budget, governance structure, and implementation timeline (see Comments Nos. 1 and 2), then additional funding will be needed in the current fiscal year. Local Power's proposed program budget has the City completing the Start-Up Phase, Program Development Phase and the RFQ/RFI and RFP portions of the Procurement Phase by approximately the end of FY 2005-2006, at a total cost of approximately \$5,570,915.

As previously mentioned and as shown in Attachment IV, the PUC has an unexpended FY 2005-2006 staffing and professional services budget of \$1,086,751 (\$1,315,668 less \$228,917) as of the end of the first quarter of the Fiscal Year, or as of October 1, 2005. The Budget Analyst notes that, if the PUC were to use all of the remaining FY 2005-2006 budgeted CCA amount for implementing Local Power's proposed program budget according to the timeline specified, a supplemental

appropriation of \$4,484,164 (\$5,570,915 less \$1,086,751) would be required in FY 2005-2006 to implement the Local Power draft IP.

Costs in FY 2006-2007 and Beyond - The Budget Analyst notes that, in both the Local Power and PUC budgets described above, significant new funds will be required in FY 2006-2007 to cover the start-up and one-time costs of implementing the CCA Program. Local Power's proposed implementation timeline ends in April of 2007, whereas the PUC timeline ends in June to August of 2007, as shown in Attachments VIII and IX. Therefore, the PUC's proposed timeline, and not Local Power's, would have one-time start-up expenses incurring in FY 2007-2008 as well as in FY 2006-2007.

The following Table 4 summarizes the new funding that would be required to pay for the anticipated one-time start-up costs in the two proposed budgets for the CCA Program.

Table 4: New Funds Required for One-Time Start-Up Costs

	PUC's Proposed Budget	Local Power's Proposed Budget
FY 2005-2006	\$0 *	\$4,484,164 **
Some of activities paid for by proposed budget	IP finalization, circulation of RFI/RFQ and RFP (currently budgeted in FY 2005-2006)	IP finalization, develop program elements, circulation of RFI/RFQ and RFP, development of conservation measures
FY 2006-2007 and beyond	\$8,471,316 to \$9,612,721	\$6,530,033
Some of activities paid for by proposed budget	Evaluation of bids, award of contract, communications and marketing, opt-out processing	Evaluation of bids, award of contract, communications and marketing, opt-out processing, financial management system, Proposition H bond issuance

* Note that the PUC's budgeted expenses for FY 2005-2006 are not included in Table 4 because these funds have been previously appropriated for FY 2005-2006, and, as previously noted, the PUC claims that it will not require any additional funding in FY 2005-2006 to continue its proposed start-up CCA activities in FY 2005-2006.

** Assumes the inclusion of unexpended PUC FY 2005-2006 staffing and professional services budget of \$1,086,751.

**Funding Sources
For One-Time
Start-Up Costs:**

The Budget Analyst requested that the PUC identify potential funding sources which the City could utilize to pay for the one-time start-up costs of a CCA Program. According to PUC Power Enterprise staff, and as further explained in Attachment V, the PUC foresees three potential funding mechanisms for the one-time and start-up costs for the PUC's proposed CCA Program. They are:

- (a) **Hetch Hetchy Enterprise Net Operating Revenues** – The existing FY 2005-2006 PUC budget for CCA work is paid for with Hetch Hetchy Power Enterprise Net Operating Revenues. These revenues are derived from the sale of electricity to wholesale customers and City departments minus expenditures for the provision of electric services. The total FY 2005-2006 operating budget for the Hetch Hetchy Power Enterprise is \$109,734,558.

If the Board of Supervisors chooses to use that funding source, the Board could make arrangements to repay the amount taken from the Hetch Hetchy Enterprise Fund using net CCA operating revenues to be realized from surcharges charged to ratepayers. In such a scenario, the City could amortize the payments over several years to soften the impact on ratepayers. However, the Budget Analyst notes that, as of the writing of this report, it is uncertain as to whether the revenues realized from electricity rates will be sufficient to repay Hetch Hetchy.

The Budget Analyst notes that the Board of Supervisors does not have sole jurisdiction over the Hetch Hetchy Power Enterprise Net Operating Revenues, but, rather, the PUC must first approve the use of this funding source during its annual budget process. Therefore, it is unclear if this funding source would be made available by the PUC.

- (b) **General Fund Revenues** – If the Board of Supervisors wishes to fund some of the CCA Program one-time start-up costs in FY 2005-2006, the Board could appropriate revenues from the FY 2005-2006 General Fund Reserve, which was budgeted at \$24,260,750.

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If the Board of Supervisors chooses to appropriate General Fund Reserve monies, as an advance to pay for one-time start-up costs, the Board could make arrangements to repay the amount advanced by the General Fund using future potential CCA net operating revenues from surcharges charged to ratepayers. In such a scenario, the City could amortize the payments over several years to soften the impact on ratepayers. However, the Budget Analyst notes that, as of the writing of this report, it is uncertain as to whether the revenues realized from electricity rates will be sufficient to repay the General Fund.

- (c) **Loan from Wholesale Electricity Supplier** – This funding source is hypothetical and depends on the responses the City receives from the RFI/RFQ and RFP processes (see Comment No. 4). If this funding source does turn out to be available, the City could borrow the funds from the electricity service provider necessary to pay for some or all of its start-up and one-time costs. The Budget Analyst notes, however, that the availability of this funding mechanism will not be known until a later time because such information would be obtained through the RFI/RFQ and RFP processes (see Comment No. 4). Further, according to both proposed timelines of both Local Power and the PUC, some of the start-up and one-time costs would be incurred prior to when responses from the RFP would be received by the City and prior to when a contract would be awarded.

Ongoing Costs:

Regarding ongoing costs (in addition to the one-time start-up costs discussed above), Local Power did not provide a budget for the ongoing costs for the CCA Program. The Budget Analyst calculates, using information from Attachment II, that the preliminary PUC estimates for the ongoing PUC staffing costs for a CCA Program (including overhead) would be \$5,596,946 annually. As noted above, this figure does not include the estimated \$4,707,614 in annual costs for energy efficiency marketing efforts, which have been omitted from the PUC proposed CCA Program budget.

However, it should be noted that this preliminary PUC staffing plan and budget for ongoing CCA operations represents a normal operating year and does not provide for any unexpected contingency needs or funding to create necessary reserves. Also, as previously mentioned, the PUC's proposed budget does not include detailed consideration for costs associated with office space for new PUC staff. Finally, it should be noted that this staffing/budget is preliminary in nature and has not been reviewed by the various PUC organizational units that would be involved in CCA Program staffing.

**Funding Source
For Ongoing Costs:**

Ongoing costs for the CCA Program would be included in the rates to be paid by CCA customers comprised of San Francisco residents and businesses. The subject resolution states that the RFP specifications should provide that the City has the final authority to establish the actual electricity rates to be charged to CCA customers, via an Electricity Rate Fairness Board or similar entity. However, the subject resolution also includes the recommendation made in the Local Power draft IP, which establishes electricity rates based upon the rate structure recommended by the bidder chosen through the RFP process to provide the electrical power to CCA customers. This is one of the various internal inconsistencies in the subject resolution which the Budget Analyst is recommending that the Board of Supervisors address (see Comment No. 2).

**Long-Term Fiscal
Viability and Rates:**

Although the estimated reported one-time start-up costs of up to \$12,100,948 for CCA implementation are significant, they are small relative to the estimated ongoing revenues that are projected to be realized by implementing a CCA Program. According to PUC Power Enterprise staff, the CCA Program revenues are expected to exceed \$200,000,000 a year, an amount almost as much as the combined sewer and water revenues from City residents and businesses.

The financial viability of the CCA Program is still largely unknown and depends upon a number of factors (see

Comment No. 6 “Major Variables Affecting Long-Term Fiscal Impact and Customer Rates”). Under some scenarios studied by Altos, a consultant retained by the PUC at a cost of approximately \$120,000, the City’s proposed CCA Program “has a reasonable prospect of offering customers a combination of reasonable priced, cleaner energy, and lower fossil fuel rate risk to its citizens.” In the best case scenario, the CCA offers the prospect of savings of \$700 million over 30 years, although there would be projected deficits from 2006 through 2008. “Savings,” according to PUC Power Enterprise staff, is the decrease in the CCA’s costs of supplying electricity as compared to PG&E’s costs. PUC Power Enterprise staff advise that a portion of these savings will likely be used in the provision of an incentive package to the electricity service provider.

According to PUC Power Enterprise staff, a crucial assumption regarding the savings mentioned above is that the City must contract with a supplier having consistently superior abilities at purchasing and trading electricity on the market. However, according to the PUC/ENV draft IP, “In all cases, in the early years through 2008 or 2009, it is reasonably likely that CCA customer bills would exceed those of equivalent Pacific Gas and Electric (PG&E) bills. During the period of 2009-2010, it is estimated that CCA customer bills would show small savings over PG&E, and after 2010 CCA customer bills could be consistently lower due both to the performance of the City’s supplier and the City’s investment in a commercially available renewable power project – which at this juncture appears to be a wind project.”

According to PUC Power Enterprise staff, the PUC has recently committed an additional \$26,500 in FY 2005-2006 for the extension of an existing professional services contract with Altos, the consultant who prepared the report discussed above, which will purportedly further improve the modeling capability of the short- and long-term financial analyses.

Comments:

1. Unclear Governance Structure

According to Mr Joe Como of the City Attorney's Office, the City Attorney's Office interprets the City's Charter to mean that "the PUC has exclusive jurisdiction over the implementation of the CCA Program because it is an energy supply and utility of the City." The subject resolution acknowledges that legal opinion. However, the proposed resolution also simultaneously recommends the Local Power draft IP, which utilizes a governance structure of a "Program Director," which would be an outside contractor that would initially serve as the lead entity implementing the CCA Program. According to the Local Power IP, the Program Director would lie outside of the PUC and would be directly accountable to the Board of Supervisors, not the PUC. The Program Director structure would, according to Mr. Fenn, be a contract awarded by the Board of Supervisors with a private entity. Mr. Fenn advises that the contract with the Program Director would be most work-intensive in the first two years, and would phase out after the duration of approximately five years.

The Budget Analyst notes that the proposed resolution is not clear about whether the PUC or a combination of the PUC and the Program Director (outside contractor) has the authority to implement CCA. Mr. Como advises that this is one of the most significant issues with the subject resolution. This point is relevant to the Budget Analyst's fiscal analysis of the proposed CCA Program budgets because: (1) there are two competing budgets under consideration that have been submitted on behalf of the subject resolution that rely on significantly different organizational and staffing structures, and (2) the potential sources of funding may differ under different governance scenarios. For example, if the CCA Program is started up using Hetch Hetchy funds, it is unclear if an outside contractor, serving as the Program Director, that is under the authority of the Board of Supervisors, and not accountable to the PUC, can obtain authorization to utilize such funds.

According to Ms. Gloria Young, Executive Officer of LAFCO, at the September 9, 2005 LAFCO meeting, LAFCO voted to retain outside legal counsel to provide

additional advice regarding, among other things, the issue of CCA governance as well as the use of Proposition H bond financing (see Comment No. 6 for more discussion of Proposition H bond financing). The draft contract with outside counsel states that the outside legal counsel will provide "an opinion interpreting the Charter for the City and County of San Francisco and its interaction with the Community Choice Aggregation statutes of the State of California with respect to CCA governance and organization; including providing an opinion regarding governance advantages and disadvantages." According to Ms. Young, this contract for outside legal counsel, at a cost of \$25,000, is still under negotiation. Ms. Young advises that three firms were contacted to respond to the request for outside legal counsel services, and no final choice has yet been made. Ms. Young further advises that it is anticipated that the contract with outside legal counsel will be executed by October 3, 2005, and it is not known when the work will be completed.

The Budget Analyst recommends that the Board of Supervisors resolve this central issue of governance as soon as possible, and certainly prior to the submission of a final IP to the California PUC. The Budget Analyst notes that the Board of Supervisors could choose among a number of courses of action at this juncture. It could: (a) follow the City Attorney's opinion that the PUC has exclusive jurisdiction over the implementation of the CCA, (b) wait for the legal opinion on this matter to be provided by outside counsel at the next LAFCO meeting on October 21, 2005, or (c) decide, as a policy matter, how the CCA Program should be governed. This decision should be clearly reflected in the subject resolution (see Recommendation No. 1).

2. Inconsistencies Between the Subject Resolution's Recommended IP and the Subject Resolution's Policy and Program Recommendations

The Budget Analyst notes that the subject resolution both (a) recommends a specific IP submitted by Local Power and (b) makes general policy and program recommendations that are not consistent with the recommended Local Power IP. The Budget Analyst asked the City Attorney's Office to explain this contradiction. In

response, Mr. Como stated: "The resolution recommends that the Board of Supervisors adopt the Local Power draft IP and submit it to the California PUC for approval. However, at the same time, the resolution makes program changes that are not in the Local Power draft IP."

The following Table 5, compiled by the Budget Analyst with input from Mr. Como, summarizes some, but not necessarily all, of the key differences between the Local Power draft IP and the subject resolution's policy and program recommendations.

Table 5: Differences Between the Local Power Draft IP and the Subject Resolution's Policy and Program Recommendations

Policy or Program Component	Local Power Draft IP	Subject Resolution's LAFCO Policy and Program Recommendations
Jurisdiction (see "Unclear Governance Structure" above)	Program jointly run by non-City Program Director (outside contractor) and PUC; accountable to Board of Supervisors	Unclear
City Staffing	Majority of program staffing done by outside contractor	City staffs, on an internal basis, energy efficiency and public interface functions
Rate-Setting	Rates are decided upon through contract with electricity service provider and must "meet or beat" PG&E rates; no public process	Rate fairness board would be used that would "meet or beat" existing level of public due process
Number of Contractors	One	Does not limit
Amount of Renewables *	360 Megawatts (MW)	Goal of 360 MW, but not mandatory; states that the amount would depend on the economics
Types of Renewables	Focus on "distributed" renewable generation (such as solar panels on City rooftops)	Mentions both distributed renewable generation and larger-scale renewable projects, such as wind farm
City Contracting Requirements Incorporated (i.e. MBE, WBE, etc.)	No	Yes
Job Creation in San Francisco Incorporated	No	Yes

* "Renewables" refers to energy obtained through renewable sources, such as energy generated by wind or solar.

Because there are a significant number of points of difference between the Local Power draft IP and the subject resolution's LAFCO policy and program recommendations, the Budget Analyst recommends that the Board of Supervisors amend the subject resolution to clarify its opinions with regard to the differences between the Local Power draft IP and the subject resolution's policy and program recommendations (see Recommendation No. 2).

3. Unclear Next Steps

The Budget Analyst notes that, although (a) the PUC and ENV submitted a draft IP, as required by Ordinance 0086-04, and (b) the subject resolution makes frequent mention of the PUC/ENV draft IP, the PUC/ENV draft IP is currently not being considered under the proposed subject resolution. The Budget Analyst requested the City Attorney's Office to explain this situation, and, in response, Mr. Como stated: "Ordinance 0086-04 called for PUC and ENV to submit an IP for review and approval by the Board of Supervisors, but the subject resolution is silent on what happens to the draft IP submitted by PUC/ENV."

Moreover, the Budget Analyst notes that there is confusion among City departments that are working on the CCA Program as to the next step in the process if the subject resolution is approved by the Board of Supervisors. The Budget Analyst requested the opinion of the City Attorney regarding this question. Mr. Como, in response, stated that "The subject resolution is silent on how the resolution's recommendations get incorporated into a final IP or who does them (PUC/ENV or Local Power).... State law requires the Board of Supervisors to approve the IP that goes to the CPUC, so I believe that the Board of Supervisors would have to see the final IP after all of the policy guidance from the resolution is incorporated into the IP."

Therefore, the Budget Analyst recommends that the subject resolution be amended by the Board of Supervisors to clarify how and which of LAFCO's policy and program recommendations are to be incorporated into the final IP (see Recommendations Nos. 3 and 4).

4. RFI/RFQ

The subject resolution states that a Request for Information (RFI) or a Request for Qualification (RFQ) process may be undertaken prior to preparation of the RFP in order to determine the interest and variety of potential bidders on the RFP to serve as the energy supplier. According to PUC Power Enterprise staff, an RFI/RFQ should provide the responses from potential electricity providers and others that will assist in evaluating CCA viability. PUC Power Enterprise staff stated that the PUC intends to issue an RFI/RFQ as early as November of 2005. PUC Power Enterprise staff advise that it is highly preferable for the RFI/RFQ process to be undertaken as soon as possible, given the need to receive and analyze responses in the third quarter of FY 2005-2006, so that the information can be incorporated into the City's and/or the PUC's FY 2006-2007 budgets. Local Power's program budget proposes that an RFI/RFQ process take place in April of 2006, primarily under the direction of the Program Director (outside contractor), not the PUC (see Comment No. 1 "Unclear Governance" above).

The Budget Analyst recommends that the subject resolution be amended to request the City, either the PUC or Program Director (outside contractor), as decided by the Board of Supervisors, to undertake a RFI/RFQ process as soon as possible, preferably prior to the end of the second quarter of FY 2005-2006, so that the information gained can be used to plan for the FY 2006-2007 budget (see Recommendation No. 5).

5. Future Actions for the Board of Supervisors

According to Mr. Como, by approving the proposed resolution, the Board of Supervisors recommends the submission of the Local Power draft IP to the California PUC and recommends LAFCO's program and policy recommendations. Mr. Como states that the subject proposed resolution does not provide a mechanism for the LAFCO policy and program recommendations to be incorporated into the Local Power draft IP. Should the Board of Supervisors approve the subject resolution and submit a final IP to the California PUC for certification, the City is still not obligated to implement the IP. Mr.

Como advises that the Board of Supervisors must hold a public hearing on the State-certified IP and approve a separate ordinance to implement such an IP. In accordance with Charter section 9.118, the Board of Supervisors will have to approve such contracts with a term of greater than 10 years or with expenditures greater than \$10,000,000. This may include several of the potential contracts that will have to be awarded to support the CCA Program.

Some of the next stages at which the Board of Supervisors will be required to approve CCA legislation include: the approval of the final RFP, the approval of the contract(s) with the electricity service provider(s), and the appropriation of CCA Program funds by the Board of Supervisors. As noted above, the contract(s) with the electricity service provider(s) may be subject to Board of Supervisors approval.

According to Mr. Como, approval of the subject resolution does not necessarily pose any increased liability to the City at present because the City can withdraw from CCA implementation at any time up until a contract is signed with an energy service provider. PUC Power Enterprise staff note, however, that it is possible that the City may not be able to enter into a contract with an energy service provider if satisfactory responses to the RFP are not received.

6. Major Variables Affecting Long-Term Fiscal Impact and Customer Rates

As noted above, the financial viability of the CCA Program is still largely unknown and depends upon a number of factors. Some of the major variables are:

- (a) *California PUC Rulings*-The California PUC has yet to determine the Cost Recovery Surcharges (CRS)⁴, set the costs PG&E will be allowed to charge CCAs for services (such as customer billing), and establish the level of commitment a city must demonstrate for PG&E to no

⁴ According to PUC Power Enterprise staff, pursuant to AB 117, cost recovery surcharges (CRS) are expenses the California PUC will charge San Francisco CCA customers to pay a share of the unavoidable costs of power contracts that were entered into by the State and PG&E, so that PG&E's remaining customers are no worse off due to CCA implementation by the City.

longer procure electricity for city customers. After these determinations are made, likely in December of 2005, it will be possible to have a clearer understanding of the fiscal viability of the City's CCA Program.

(b) *Customer Mix* - State law requires that CCAs offer service to all residential customers. However, the inclusion of commercial customers can make a CCA more fiscally sound. The subject resolution states the City intends to offer service to all classes of customers, including San Francisco residents and businesses. However, the number of commercial customers who will choose CCA electricity service is unknown, and will largely depend upon the electricity price which the CCA will be able to offer. Substantial opt-out by larger commercial electricity customers presents a substantial risk to the economic success of the CCA. According to PUC Power Enterprise staff, one percent of the CCA's potential accounts consumes 50 percent of the potential CCA electric consumption. The customers comprising this one percent are businesses that are large electricity consumers. Therefore, as previously noted, PUC Power Enterprise staff advises that one of the most important ways to ensure that as few customers as possible choose to opt-out of CCA is through a thorough communications campaign to all residents and businesses in San Francisco, with a strong emphasis on targeted outreach to the largest electricity consumers.

(c) *Trading Abilities of Supplier* - According to the PUC/ENV draft IP, to achieve the long-term CCA goals, the City must successfully implement the CCA Program with a supplier with consistently superior trading abilities.

(d) *Proposition H Bond Financing*-In 2001 San Francisco voters approved Proposition H, amending the City Charter to give the Board of Supervisors authority to issue revenue bonds to develop renewable energy facilities and to implement conservation in both the public and private sectors. The subject resolution calls for the use of this bond fund mechanism to invest in large-scale wind or other cost effective renewable energy generation. Although the City Attorney has opined that

Proposition H bonds may be used by the City to fund such renewable generation projects, the taxable status of such funds has not been determined, and may impact the financial viability of the CCA program and/or the rates charged to CCA customers.

As previously noted, according to Ms. Young, at the September 9, 2005 LAFCO meeting, the Commission voted to retain outside legal counsel to provide additional advice regarding, among other things, Proposition H financing. The draft contract states that the legal counsel will provide "legal analysis regarding an assessment of the financing structure including the proposed use of Proposition H bonds, issues with respect to obtaining a bond rating and other related issues." As noted above, this contract for legal counsel, at a cost of \$25,000, is still being drafted. Ms. Young advises that it is anticipated that the contract with outside legal counsel will be executed by October 3, 2005, and it is not known when the work will be completed.

(e) *Other Market Factors* - Other electricity market factors, including other supplier prices, a natural disaster, and overall market failure, are potential significant contributors to CCA's long-term financial viability.

Recommendations:

1. In accordance with Comment No. 1, amend the subject resolution to clarify the Board of Supervisors intent related to the governance structure of the Community Choice Aggregation (CCA) Program, regarding whether the PUC or a combination of the PUC and the Program Director (outside contractor) has the authority to implement the CCA Program.
2. In accordance with Comment No. 2, amend the subject resolution to clarify the Board of Supervisors intent with regard to the differences between the Local Power draft implementation plan and the subject resolution's LAFCO policy and program recommendations.
3. In accordance with Comment No. 3, amend the subject resolution to clarify the final disposition of the draft implementation plan that was submitted by PUC/ENV.

4. In accordance with Comment No. 3, amend the subject resolution to clarify how and which of LAFCO's policy and program recommendations are to be incorporated into the final Community Choice Aggregation Implementation Plan.

5. In accordance with Comment No. 4, amend the subject resolution to request that the City, either the PUC or Program Director (outside contractor), as decided by the Board of Supervisors, undertake a RFI/RFQ process as soon as possible, preferably prior to the end of the second quarter of FY 2005-2006, so that the information gained can be used to plan for the FY 2006-2007 budget.

6. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

ESTIMATED CCA ONE-TIME ACTIVITIES AND COSTS

CCA One-Time Pre-Start-Up Activities (1)	Estimated Total \$
Implementation Plan Finalization (2)	\$240,000
CCSF Customer Data Updates (3)(4)	\$10,000
Request for Proposals (5)(6)	\$150,000
Customer Call Center (7)	\$250,000
PG&E Start-Up Service Fees	\$838,508
Communications Effort (8)	\$4,350,000
Total	\$5,838,508

PG&E Service Fees (8)

Opt-Out	\$/Event	\$/Account	\$/hour	\$/minute	Estimated Work Hrs/mins	# of Accounts/Meters	Subtotal \$/Event	Subtotal \$/Unit/Hourly	Total \$
Notifications (12)	\$ 1,400.00	\$ 0.36				359,143	\$ 5,600.00	\$ 452,520.18	\$ 458,120.18
Processing		\$ 1.18				35,914		\$ 42,378.52	\$ 42,378.52
Subtotal									\$ 500,498.70
Other PG&E Service Fees									
CCA Establishment			\$ 95.00		25			\$ 2,375.00	\$ 2,375.00
Customer List Development	\$ 2,390.00						\$ 2,390.00		\$ 2,390.00
Customer Mass Enrollment Processing	\$ 4,120.00	\$ 0.40				323,229	\$ 4,120.00	\$ 129,291.60	\$ 133,411.60
PG&E Customer Contacts (phone calls)			\$ 0.92		217,210			\$ 199,833.10	\$ 199,833.10
Subtotal									\$ 338,009.70
Total									\$ 838,508.40

Notes:

- One-time Start-Up activities are tasks that must be completed prior to the initiation of the customer opt-out notification process, which commences approximately 105 days before customer transfer from PG&E occurs.
- Funded In 2005-2008
- Prior to commencing service the CCA will need to update its customer information, which includes detailed customer load data, and potential customer contact information. Detailed customer load data is important at this stage because prior to the commencement of the opt-out period the CCA will need to produce a load forecast for both power procurement and regulatory purposes. It is important that this City have several years of customer load data to best analyze electrical demand patterns over time.
- Funded In 2005-2008
- Includes Request for Information and Request for Qualifications
- Funded In 2005-2008
- Contingency customer care support in case call volumes are higher than expected.
- The PG&E service fee estimates are based on testimony provided by PG&E to the CPUC during Phase II of the CCA processing. Although CCSF has contested the cost figures provided by PG&E, we are assuming here, only for budgeting purposes, that the CPUC adopts the PG&E proposed costs.
- For opt-out, the \$0.38/account notification fee assumes that the cost of materials and postage is included here and there will be no additional cost for opt-out notification mailings. There will be 4 opt-out notification "events", so we have multiplied the per event fee by 4. Opt-out processing assumes that PG&E will only charge the CCA for the cost of processing customer accounts that are returning to PG&E handled service. A 10% opt-out rate was assumed, meaning that 35,914 customers elect not to participate in the CCA program.
- PG&E defines CCA establishment as the cost of establishing a new business relationship between the CCA and PG&E including such costs as EDI testing and processing of forms and agreements including but not limited to: the CCA Service Agreement, The CCA Provider Information Form, The Credit Application, The Electronic Funds Transfer Agreement, and provides for a review of the CCA's credit worthiness. Although the time necessary to complete this function may vary by CCA, we estimate that this will require 25 hours of PG&E staff time.
- In testimony before the CPUC PG&E estimated its cost per minute for handling customer call related to a specific CCA formation at \$0.92. CCSF has contested this cost figure, but for purposes here we have assumed they are successful on this point before the CPUC. We have made a conservative assumption on the amount of calls PG&E will take related to the CCSF CCA program. This assumption is based on the formula used in Appendix A of the SFPU/CSFE draft implementation plan: 1 customer in 50 will call monthly with a question resulting in 8300 calls per month, or approximately 250 calls per day; each call will average 7 minutes duration with 6 1 minute wrap up time. For purposes here we assume that PG&E in the start-up period will receive 40% of all customer calls regarding the program over the course of a year. This estimate of customer calls to PG&E will not reduce the need to staff the CCA call center to handle the full customer contact load.
- Although there are four opt-out notifications sent to potential CCSF CCA customers during the full opt-out period, a multiplier of 3.5 was used to account for some customer loss along the way and a corresponding reduction in notices sent as a result.

Draft - 09-23-2005

CCA START-UP COSTS

CCA Start-Up Activities (1)				
Staffing Breakdown and Roles	Head Count	CCSF Classification	Salary Per Employee	Staff Cost with Overhead (2.55)
Customer Care Representatives (2)	9	1478	\$ 54,860.00	\$ 1,259,037.00
Customer Service Manager	1	5602	\$ 98,696.00	\$ 251,674.80
Customer Care Center Supervisors	2	1480	\$ 60,164.00	\$ 306,836.40
Administrative Assistants	2	1402	\$ 39,078.00	\$ 199,297.80
Information System Administrator	1	1023	\$ 83,018.00	\$ 211,695.90
Regulatory Analyst	1	5601	\$ 68,666.00	\$ 175,098.30
Regulatory Manager	1	5634	\$ 111,436.00	\$ 284,161.80
Contract, Finance, and Reporting Analysts (3)	0	1823	\$ 78,702.00	\$ -
Attorney	1	8177	\$ 127,270.00	\$ 324,538.50
Contract Manager (4)	0	922	\$ 78,013.00	\$ -
Marketing/Outreach Coordinators (5)	2	931	\$ 90,324.00	\$ 460,652.40
Opt-out Supervisor	1	1480	\$ 60,164.00	\$ 153,418.20
Opt-out Clerks	3	1478	\$ 54,860.00	\$ 419,679.00
Public Relations Officer	2	1314	\$ 72,800.00	\$ 371,280.00
Executive Secretary	1	1450	\$ 58,136.00	\$ 148,246.80
Total	27			\$ 4,565,616.90

Miscellaneous Start-Up Costs	Activity Cost \$
Upgrades to SFPUC Customer Call Center Facilities (6)	\$ 750,000.00
Total	\$ 750,000.00

Subtotal Staff Costs	\$ 4,565,617
Subtotal Misc. Costs	\$ 750,000
At 50% Staffing Start-Up	\$ 2,282,808
At 75% Staffing Start-Up	\$ 3,424,213
CCA 100% Start-Up Total Costs	\$ 5,315,617

Notes:

- 1) By start-up we are referring a period 6-12 months prior to commencement of full CCA operations. This budget should take the program through the initial opt-out period. *This cost forecast does not include a detailed consideration of office space for new PUC staff.*
- 2) Based on analysis described in Appendix A of the SFPUC/SFE Draft Implementation Plan, we estimate that the customer call center will need 9 customer care representatives for regular operation. There may be a short-term need for additional customer call center support during the Initial opt-out period. This additional support may be filled by cross-training 3 SFPUC water/sewer call center staff to handle CCA matters when during periods of high demand for customer service - we have also included contingency funding in the one-time cost category of million if very
- 3) Increases to 3 after commencement of service
- 4) Increases to 1 after commencement of service
- 5) Increases to 3 after commencement of service - however if the Sales/Energy Efficiency Division is created then these positions will not be needed
- 6) Includes software, hardware, and new phone lines.
- 7) The Energy Efficiency, and Marketing Division is based on analysis performed and described in Appendix A of the SFPUC/SFE Draft Implementation Plan. We have provided salary and overhead costs for this division for a full year. Since it is possible that there will be external funding for some portion of these costs they have not been included, at this time, in the CCA start-up cost category.

ENERGY EFFICIENCY/MARKETING DIVISION STAFFING COSTS ANNUAL BASIS.

Energy Efficiency, and Marketing Division (7)				
Senior Marketers/Account Representatives	5	931	\$ 90,324.00	\$ 1,151,631.00
Account Representatives for Large Customers	20	1478	\$ 54,860.00	\$ 2,797,860.00
Sales and Marketing Manager	1	943	\$ 136,922.00	\$ 349,151.10
Supervisor of Account Representatives	1	1824	\$ 82,225.00	\$ 209,673.75
Sales and Marketing Administrative Assistant	2	1402	\$ 39,078.00	\$ 199,297.80
Subtotal: Energy Efficiency, and Marketing Division	29			\$ 4,707,613.65

COMMUNICATIONS BUDGET BREAK-DOWN.

Draft - 09-23-2005

<u>Communications Program</u>	<u>Estimated Total \$</u>
Advertising/Marketing Campaign	\$3,000,000
One-Time Communications Staff	\$500,000
Customer Research	\$200,000
Printing, Materials, Graphic Design	\$250,000
Four City-wide informational mailings (not opt-out)	\$400,000
Total	\$4,350,000

SFPUC CCA BUDGET 2005-2006. AND EXPENDITURE PLAN.

Draft - 09-23-2005

SFPUC CCA Budget FY 2005-2006

Staff (1)	Role	CCSF Classification	Average Salary	Staff Cost with Overhead (2.55)	% of Time Committed to Project	Adjusted Staff/Consulting Cost for Project
	Regulatory Manager	5634	\$111,436	\$284,162	0.9	\$255,746
	Utility Analyst	5601	\$68,666	\$175,098	0.9	\$157,588
	Utility Specialist	5602	\$98,696	\$251,675	0.33	\$83,053
	Principle Admin Analyst	1824	\$91,962	\$234,503	0.75	\$175,877
	City Attorney	8177	\$127,270	\$324,539	0.75	\$243,404
Consultants						
	Implementation Plan (2)					\$250,000
	RFP/RFI/RFQ (3)					\$150,000
Total						\$1,315,668

Notes:

- 1) SFPUC and City Attorney staff to provide: CCA regulatory support, task force support, analytical support on CCA Implementation Plan, respond to initiatives of Board of Supervisors, and limited small scale outreach to San Francisco residential and business communities.
- 2) The consulting budget for the Implementation plan includes funds analytical and technical assistance in finalizing the document required to be submitted to the California Public Utilities Commission prior to commencement of CCA service as well as analytical and technical assistance producing a compliance filing for the California Renewable Portfolio Standard (RPS). The RPS filing is not yet a requirement, but may become one.
- 3) The consulting budget for the RFP includes analytical assistance in producing a Request for Information and a Request for Qualifications that will precede the release of the RFP.

SFPUC EXPENDITURE PLAN FOR 2005-2006.

Draft - 09-23-2005

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Regulatory Manager	\$63,936.41	\$63,936.41	\$63,936.41	\$63,936.41
Utility Analyst	\$39,397.12	\$39,397.12	\$39,397.12	\$39,397.12
Utility Specialist	\$20,763.17	\$20,763.17	\$20,763.17	\$20,763.17
Principle Admin Analyst	\$43,969.33	\$43,969.33	\$43,969.33	\$43,969.33
City Attorney	\$60,850.97	\$60,850.97	\$60,850.97	\$60,850.97
Consulting Resources				
Implementation Plan		\$26,500.00	\$125,000.00	\$98,500.00
RFI/RFQ/RFP			\$100,000.00	\$50,000.00
Subtotal	\$228,916.99	\$255,416.99	\$453,916.99	\$377,416.99
Total	\$1,315,667.97			



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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Memo To: Budget Analyst Office.

From: SFPUC Power Enterprise Staff.(September 28, 2005).

***SFPUC Estimated CCA Start-Up and Short-Term Budgeting In
Response to Budget Analyst Questions of September
20/2005. (September 28, 2005).***

Attached are the answers to the Budget Analyst questions and accompanying explanations regarding CCA budget estimates.

Q.1 What is the detailed projected CCA one-time and start-up costs?

A.1 Please see the separately forwarded numbers in Attachment I and Attachment II.

Given the rapid turn-around for completion of this Draft of CCA Start-Up and Short-term budgets this document has not benefited from the review of SFPUC departments who could provide scrutiny and perhaps correction of some of the estimates. Later drafts will incorporate this review.

This document uses the following terms: - "One-time costs" are costs incurred for an activity that either is only undertaken prior to CCA implementation or is undertaken in an extremely intensive level prior to CCA implementation, a level that is anticipated to quickly decline during CCA operation. For example, CCA advertising cost and effort is likely to be far higher prior to implementation than during normal operation. Start-up costs are costs for activities undertaken at a standard or similar level of intensity both before and during CCA normal operation but these costs are incurred prior to actual CCA implementation e.g. a call centre will need to be operated prior to CCA implementation and after CCA implementation. The recognition of the important difference between these terms was not fully understood in the SFPUC/SFE CCA Draft Implementation Report of April 27th/2005 and the terms may have been used interchangeably. Hence the preliminary \$5 million figure for start-up costs cited in that report was actually an early assessment of one-time costs. Therefore, as discussed below, start-up costs are in fact the start of regular CCA activities (therefore not one-time costs) that will extend into standard operating budgets. However these are termed start-up costs since the activity and cost incurrence will begin prior to receipt of any CCA revenues.

The grand total of one-time and start-up costs is currently estimated at between \$9.0 and \$10.0 million. If however external funding is not available to fund needed energy efficiency positions then these amounts could increase.

Attachment I provides an estimated one-time cost of \$5.83 million. A small portion of this cost is included in the current SFPUC 2005-2006 budget. However the majority of the cost is for two items a significant communication effort that is estimated to begin by the second quarter of 2006, and the various PG&E fees that will be incurred on a one-time basis.

The estimated service fees to be charged by PG&E contain a number of critical assumptions: a) that the opt-out notification fee includes the cost of both materials, meaning printing the opt-out notifications, and postage for mailing the notices; and b) that the \$0.92/minute cost proposed by PG&E for CCA related calls is accepted by the CPUC (CCSF contests this cost figure).

Attachment II provides an SFPUC/SFE estimated staffing total of \$4.56 million for CCA Start-Up activities on an annual basis that equates to \$2.28 million assuming a 50% activity level prior to start-up, and \$750,000 for hardware/software support to the Customer Call Centre. However this total is also subject to a number of qualifications.

First, the staffing total does not include any significant effort regarding the marketing and outreach for energy efficiency to specific customer accounts – a total of 33 employees and an annual staffing cost of \$4.4 million was previously estimated in the SFPUC/SFE Draft Implementation Plan for staffing an energy efficiency/outreach budget. For purposes of estimating City of San Francisco funded start-up costs we have assumed, for now, that funding for energy efficiency efforts will be obtained externally of the CCA budget e.g. via direct control of the electric Public Goods Surcharge funds contributed by San Francisco electric ratepayers. To the extent the Implementation Plan finally adopted by the BOS requires a significant direct marketing of energy efficiency (individual customer account oriented) without a source of external funding, the CCA start-up staffing costs for this effort would result in staffing costs significantly above those presented in Attachment II.

Second, the staffing cost estimate is prepared on an annual basis. A rule of thumb for the actual pre CCA-revenue inflow start-up costs would be some

percentage of this amount. This fraction may vary between the different staffing categories e.g. most customer care representatives might start employment e.g. about 3 months prior to implementation while some communications staff will be working at least one year prior CCA implementation. Above we use a 50% figure until a more precise sequencing and time-line for CCA implementation can be developed.

Third, we note, that as a back-up measure, it may be possible for some of the largest budget elements – like Customer Care (Call Center staff) – to also utilize existing SFPUC call center staff who respond to water and sewer phone inquiries for any non-budgeted overflow calls. However we have budgeted a contingency amount of \$250,000 in one-time costs to deal with potential call centre overflow.

Fourth, there is a degree of overlap and trade-off between the expenditures on the communications effort that we present and the expenditures on customer care representatives (which total annually almost \$1.9 million of the \$4.65 million staffing cost). To the extent the Communications effort satisfactorily provides an accurate and complete CCA message to the great majority of San Franciscans then the number of phone inquiries should correspondingly drop, as will the number of phone-calls to which PG&E responds for which San Francisco will be charged.

We also present a figure of \$1.3 million dollars already budgeted for CCA work in the 2005-2006 budget year by the Hetch Hetchy Power Enterprise. This budget is for internal staff, city attorney time, outside consulting services, and data request costs. However a relatively small amount (\$26,500) has already been committed for work – see below under 2.

We have also presented a separate accounting of Communication/Outreach costs as estimated by the Communications Department of the SFPUC – this total budget is \$4.3 million. This communications budget presumes a 9-month customer outreach program that escalates as the opt-out period nears. Depending upon timing of BOS decisions and the timing of a final RFP decision this Communications effort may have to be accelerated into a more compressed time frame. This compression may result in a cost reduction to the overall staffing costs. For purposes of conservatively estimating one-time costs we recommend that 100% of this budget be used.¹

¹ The Communications staff of the SFPUC proposed budget is \$5.34 million that in total incorporates five phases of activity beginning about 18 months prior to CCA implementation and extends into a post-enrollment period. Given the anticipated time-line for CCA implementation the above \$4.3 million budget is a condensation of this plan.

Q.2 What is the SFPUC CCA budget for Fiscal Year 2005-2006, including source of funds.

- A.2 In Attachment IV, page 1, we present information on the current SFPUC CCA budget for 2005-2006. Depending upon sequencing of the steps toward implementation of CCA it may be that this budget will have to expand to accommodate some communication effort during the second quarter of 2006. Hetch Hetchy Enterprise net operating revenues are the source of funding for these CCA activities.

Q.3 What is the amount already used in the SFPUC FY 2005-2006 budget, including purpose of use.

- A.3 About one quarter of the 2005-2006 staffing budget has already been expended (July-September) and a small amount of consultant funds have been encumbered (but not expended) for work in late September and October (\$26,500). The purpose of these consultant funds is to improve the CCA economic analysis tool already developed in fiscal 2004-2005.

Q.4 Expenditure plan for the remaining FY 2005-2006 funds earmarked for CCA activities.

- A.4 The expenditure plan in summary form is provided in Attachment IV, page 2, and the staff and consultant activities are all oriented toward a continuation of the steps necessary to implement CCA.

Q.5 Which start-up and one-time costs required by the merged CCA resolution being considered by the finance committee will be covered by the SFPUC's FY 2005-2006 budget?

- A.5 We do not know which start-up and one-time costs will actually be required by a merged CCA resolution. But currently there are no extensive or large-scale start-up or one-time costs currently covered by the SFPUC FY 2005-2006 Budget. However this 2005-2006 budget is anticipated to be adequate to accommodate the important steps of development and publication costs for an RFI/RFQ/RFP process, the filing of a CCA Implementation Plan at the CPUC, and continued regulatory intervention at the CPUC.

- Q.6** Was there any plan for the source of funds for one-time CCA costs in the SFPUC implementation plan? If not, in the SFPUC analysis, what are some of the options available to the City and SFPUC for initially funding CCA?
- A.6** As stated above The SFPUC/SFE Draft Implementation Plan raised the issue of one -time CCA costs and made a very preliminary estimate as discussed at the Budget and Finance Committee Hearing on September 15th. However the plan did not address the issue of the source of funds for either one-time or CCA start-up costs. Options appear to include additional funding from Hetch Hetchy Enterprise net operating revenues, - which would require the consent of the SFPUC Commissioners - revenues from the General Fund, or a loan from the wholesale electric supplier to the CCA. In cases where city funding is used for CCA start-up costs, this could potentially be considered a loan to the CCA enterprise to be repaid over some defined period of time. It also may be possible, depending upon timing, to make arrangements to defer payment to some vendors until after the CCA enterprise begins obtaining revenues.

Local Power's Proposed CCA Implementation Budget, One Time Costs

Task	Program Director	SFPUC/SFE	Total
Start Up Phase			
Finalize IP	\$95,004	\$46,340	\$141,344
Define R&R, MOU	\$50,400	\$4,456	\$54,856
Define Metrics	\$12,852	\$2,350	\$15,202
Financial Processes	\$26,460	\$8,772	\$35,232
Engage Staff	\$10,080	\$8,913	\$18,993
Program Plan	\$91,224	\$22,670	\$113,894
Engagement Strategy	\$20,916	\$0	\$20,916
CPUC Phase II	\$26,460	\$60,159	\$86,619
Solar Ordinance	\$95,760	\$7,604	\$103,364
Kick-Off	\$79,380	\$46,523	\$125,903
Subtotal Start-Up	\$508,536	\$207,788	\$716,324
Program Development Phase			
Program Basis Report	\$237,258	\$135,017	\$372,275
Remove Barriers	\$38,934	\$22,970	\$61,904
Risk Analysis	\$70,560	\$47,997	\$118,557
CCA Lessons Learned	\$31,500	\$8,003	\$39,503
Hydro Options	\$19,656	\$158,666	\$178,322
Low-Income Program	\$8,316	\$171,041	\$179,357
Financing Plan & Model	\$371,700	\$38,978	\$410,678
DB Integration	\$141,120	\$169,983	\$311,103
PG&E Interface Plan	\$191,520	\$196,895	\$388,415
CSC Analysis	\$14,616	\$117,358	\$131,974
CSC Design	\$30,240	\$259,189	\$289,429
Comm Plan	\$93,240	\$10,369	\$103,609
360 Portfolio	\$83,160	\$106,610	\$189,770
PG&E Tech Interface	\$40,320	\$170,732	\$211,052
Siting, Permitting, Acquisition	\$206,640	\$242,380	\$449,020
Regulatory Support	\$54,432	\$55,102	\$109,534
Setup Rate Board	\$20,160	\$64,726	\$84,886
Subtotal Program Development	\$1,653,372	\$1,976,016	\$3,629,388
Procurement Phase			
Prepare RFI/RFQ	\$181,440	\$36,358	\$217,798
Prepare RFP	\$667,296	\$340,108	\$1,007,404
Prepare T&C, ITP	\$174,384	\$57,863	\$232,247
Prepare Eval Proc	\$101,304	\$24,857	\$126,161
Industry Review	\$174,888	\$95,993	\$270,881
Evaluate Bids	\$461,160	\$226,077	\$687,237
Award	\$267,120	\$140,998	\$408,118
PM/CM Plan	\$131,040	\$91,811	\$222,851
H-Bond Structuring	\$143,640	\$86,909	\$230,549
ESP Financial Mgt Sys	\$68,040	\$21,401	\$89,441
Subtotal Procurement	\$2,370,312	\$1,122,377	\$3,492,689
Basic Service Implementation			
LOE	1,628,160	2,634,387	4,262,547
Subtotal Basic Service Implementation	\$1,628,160	\$2,634,387	\$4,262,547
<i>Note: This phase includes \$2.12 M in communications and marketing costs.</i>			

TOTAL ONE-TIME COSTS

\$6,160,380

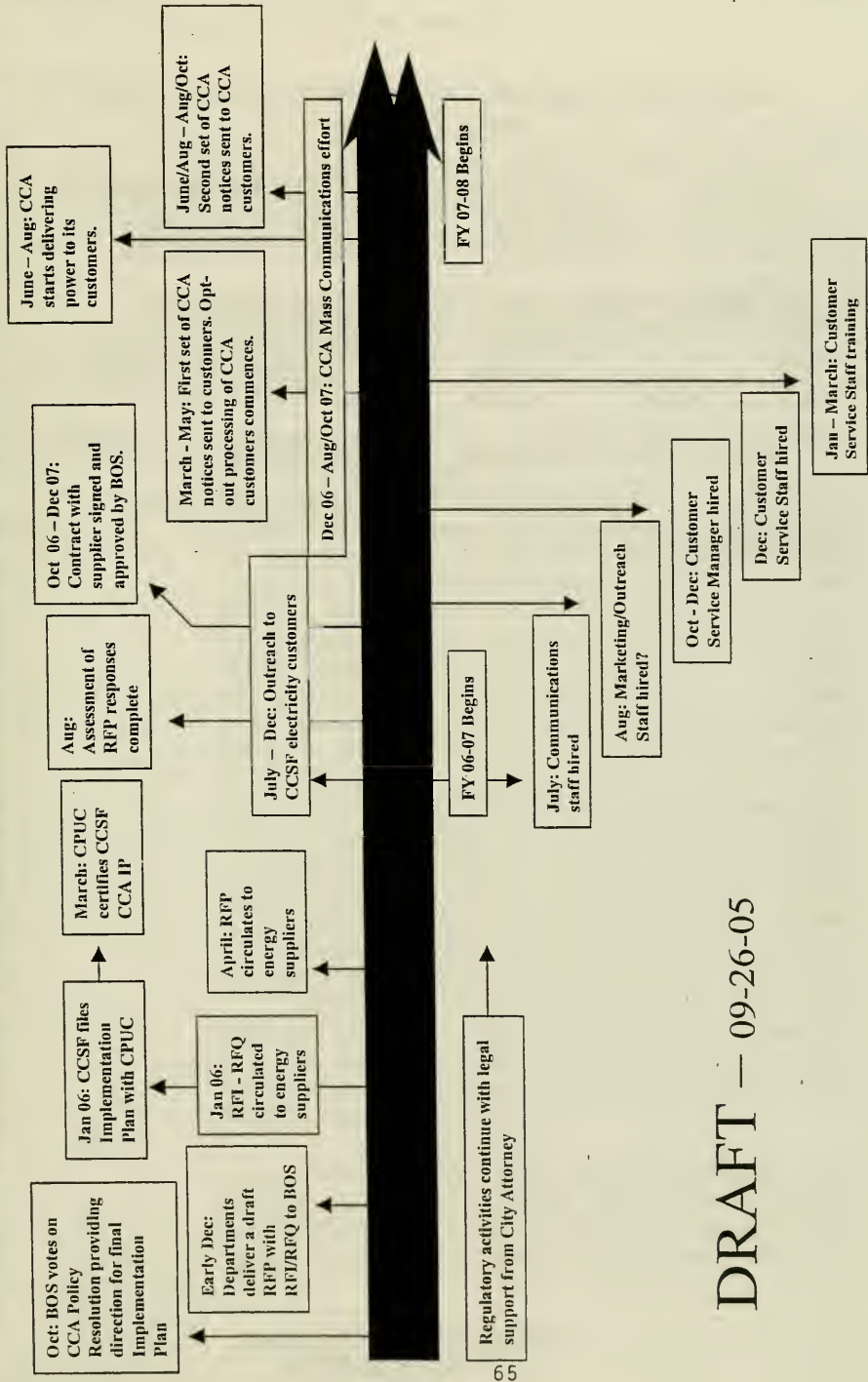
\$5,940,568

\$12,100,948

LOCAL POWER PROPOSED STAFFING PLAN FOR CCA IMPLEMENTATION

Program Director:	PUC/ENV:
Program Director	Project Manager 1
Project Manager 1	Project Manager 2
Project Manager 2	Project Manager 3
Project Manager 3	Project Coordinator 1
Project Coordinator 1	Project Coordinator 2
Project Coordinator 2	Project Coordinator 3
Scheduler	Administrative Assistant
Administrative Assistant	Sr. Financial Analyst
Graphics/WP	Financial Analyst
Sr. Financial Analyst	Marketing/Comm Manager
Financial Analyst	Marketing/Comm Specialist
Marketing/Comm Manager	Sr. Engineer
Marketing/Comm Specialist	Engineer
Sr. Engineer	IT Analyst
Engineer	Sr. Energy Analyst
IT Analyst	Energy Analyst
Sr. Energy Analyst	Attorney
Energy Analyst	Sr. Regulatory/Policy Analyst
Attorney	Regulatory/Policy Analyst
Sr. Regulatory/Policy Analyst	Compliance Manager
Regulatory/Policy Analyst	Contract Specialist
Compliance Manager	
Contract Specialist	

Potential CCA Startup Activities & Staffing Timeline Scenario



Local Power's Proposed Timeline Through Basic Service Implementation

PHASE	DURATION	PROPOSED SCHEDULE
Start-Up	12 weeks	Tue 11/1/05 - Mon 1/23/06
Program Development	17 weeks	Tue 12/27/05 - Mon 4/24/06
Procurement	215 days	Tue 3/28/06 - Mon 1/22/07
RFQ	4 weeks	Tue 3/28/06 - Mon 4/24/06
RFP	13 weeks	Tue 4/25/06 - Mon 7/24/06
Bidders Prepare Bids	13 weeks	Tue 7/25/06 - Mon 10/23/06
Evaluation and Award	13 weeks	Tue 10/24/06 - Mon 1/22/07
Basic Service Implementation	13 weeks	Tue 1/23/07 - Mon 4/23/07

Item 5 - File 05-1636

Note: The Department will be submitting an Amendment of the Whole for this proposed resolution. The Budget Analyst has prepared this report based on the Amendment of the Whole.

Departments: Mayor's Office of Community Development (MOCD)

Item: Resolution approving Federal Community Development Block Grant Fund expenditures totaling \$1,565,517.19.

Amount: \$1,565,517.19

Source of Funds: Reprogrammed Federal Community Development Block Grant (CDBG) Fund monies

Description: The proposed resolution would reprogram and approve the reallocation of \$1,565,517.19 in Federal CDBG Fund monies as described in Attachment I, provided by Ms. Mélange Matthews of the Mayor's Office of Community Development (MOCD). Page 1 of Attachment I includes the proposed allocation of CDBG funds by each nonprofit agency, including \$30,000 to MOCD for a Façade Improvement Program in the Excelsior neighborhood (see Comment No. 1), the amounts allocated and a brief description of the programs. Pages 2 through 5 of Attachment I contain the nonprofit agency profiles, more detailed project descriptions and project budgets. According to Mr. Dwayne Jones, Director of MOCD, the subject CDBG Fund monies to be reprogrammed, totaling \$1,565,517.19, include (a) \$367,685.80 from surplus carryforward funds from prior grant awards "that have been closed out based on standard end of year practices;" (b) \$1,079,919.69 from "programs that were never formally initiated" (see Comment No. 2); and (c) \$117,911.70 in unexpended funds previously allocated for administration, in order to provide the total needed funding source of \$1,565,517.19.

Attachment II, provided by Ms. Matthews, contains a list of the nonprofit agencies and the related amounts totaling \$1,447,605.49, which provide the surplus carryforward monies to serve as the funding source for the reallocations

to the proposed recommended nonprofit agencies and related program expenditures listed in Attachment I.

Comments:

1. Regarding the proposed allocation of \$30,000 to MOCD for a Façade Improvement Program in the Excelsior neighborhood, Ms. Matthews explains that, instead of allocating this \$30,000 to a nonprofit agency, the funds are being allocated to MOCD. MOCD will administer this Program to support an expansion of the SF Shines Program (currently administered by MOCD in the Bayview, Visitacion Valley, Mission, and Tenderloin neighborhoods) into the Excelsior neighborhood. Ms. Matthews further explains that (a) approximately \$6,000 of the \$30,000 would be expended for outside firms to provide technical design work for each small business engaging in the program, and (b) approximately \$24,000 of the \$30,000 would be expended to provide dollar for dollar matching grants for participating small businesses to pay for physical façade improvements undertaken by each small business participant.

2. In Attachment III, Mr. Jones lists the reasons why five programs having a total allocation of \$1,079,919.69, previously approved by the Board of Supervisors, were not implemented.

Recommendation:

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

MOCD—CDBG Reallocation Summary

	Delegate Agency	Amount	Brief Program Description
1	Boys and Girls Club	500,000	Renovation of Milton Meyer Recreation Center
2	VV Community Development Center	209,739.19	For The Village at 1099 Sunnydale
3	City College--Bernal Pre-School	100,000	Capital improvements for pre-school
4	Mission Neighborhood Center-- Precita	100,000	ADA Accessibility to Precita Center
5	Community Design Center	35,000	Technical Assistance in development projects
6	DPW -work order	100,000	Santos Playground
7	HRC-work-order	14,186	Staff support re: Compliance Officer
8	SFHDC	85,000	Resident community building and management of the Alice Griffith Opportunity Center
9	Tides Center	125,000	Resident focused programming at The Opportunity Center
10	Tides Center	61,592	41,592: REAP Development Contract 20,000: Drivers, gas and maintenance for Opportunity Center Transportation Vans
11	OpNet	50,000	Technology and information access Bayview Hunters Point residents.
12	Young Community Developers	120,000	Employment, training, and computer access for residents of public housing including residents in Bayview Hunters Point and North Beach
13	National Community Development Institute	30,000	Technical Assistance and capacity building to residents of public housing
14	Bernal Heights Neighborhood Center	5,000	Encore Program
15	MOCD	30,000	SF Shines Façade Program in the Excelsior
	TOTAL	\$1,565,517.19	

Agency Profile and Project Descriptions

1) Boys and Girls Club of San Francisco \$500,000

(BGCSF) is a nonprofit agency that will be taking over the Milton Meyer Recreation Center at 195 Kiska Road. The Center needs extensive renovation before quality programs and services can be provided. Under Ordinance No. 268-04, the Board of Supervisors authorized the settlement of a lawsuit filed against Apartment Investment and Management Company, aka AIMCO in Bayview/Hunters Point. Under the settlement, the City agreed to provide funding to match payment made by AIMCO to establish a new Boys and Girls Club.

Project Description

The \$500,000 will be used to begin the first phases of the construction project at the new Milton Meyer Recreation Center.

Replace roof of two structures	\$185,000
Demolish partitions and floor finishes	\$240,000
Remove hazardous materials	\$ 60,000
Building Permits	10,000
Testing and inspections	5,000
TOTAL	\$500,000

2) Visitacion Valley Community Development Corporation \$209,739.19

VV CDC is a nonprofit that currently manages the Village at 1099 Sunnydale.

Project Description

The renovation will convert part of the garage into more program space so that additional services can be provided on site.

Install new partitions	\$40,000
Install new doors	\$25,000
Install new windows	\$16,000
Level existing concrete floor	\$20,000
Install new toilets	\$50,000
Install new HVAC	\$58,739.19
TOTAL	\$209,739.19

3) **City College of San Francisco /Bernal Pre-school** is currently operating at the Bernal Branch Library that is scheduled for major renovation. City College is able to identify another site at the Paul Revere School to operate its preschool program. The budget is for the conversion of existing classroom into day care space.
\$100,000

Remove hazardous materials	\$ 6,000
Install second exit	14,000
Install children's toilet	17,000
Install warming kitchen	28,000
Replace ceiling and flooring	15,000
Replace light fixtures	12,000
Install required signage	3,000

Building Permit Fees	5,000
TOTAL	\$100,000

4) Mission Neighborhood Center – Precita Branch is a youth facility that is not accessible. The proposed project will include a wheelchair lift that will make the 2nd floor program space accessible. **\$100,000**

Cut openings through walls and floor	5,000
Relocate existing concrete stairs & paving	14,000
Build elevator shaft and pit	18,000
Framing, patching and door	10,000
Install lift and equipment	25,000
Relocate gas line and meter	10,000
Provide electrical services	4,000
Signage	1,500
Building permit fees	1,500
Architectural engineering services	11,000
TOTAL	\$100,000

5) Community Design Center is a nonprofit agency that provides technical assistance in planning, predevelopment studies, and building assessment and code analysis. The Community Design Center has a long history of providing consultation to nonprofit agencies and eligible small businesses located in lower income neighborhoods. **\$35,000**

Project Description

CDC will provide free technical assistance to the community to develop feasible proposals for public and private funding of capital projects. It can provide feasibility studies, analyze buildings for use as community facilities, and assist the nonprofit with project management or capital projects.

6) DPW Sunnydale Santos Street Playground is located within the Sunnydale Public Housing Development. The funds will be used to match a major donation from the Dave Matthews Band. DPW will be creating a new accessible playground at 14 Santos Street. The allocation will allow the playground area to be made accessible. **\$100,000**

Install concrete walkway and playground surface	\$86,000
<u>Install 4' high fencing</u>	<u>14,000</u>
TOTAL	\$100,000

7) The Human Rights Commission has responsibility for monitoring construction contracts. It will also investigate discrimination complaints filed by employees and subcontractors of prime contractors. **\$14,186**

Project Description

An HRC Contract Compliance Officer 1 will be assigned 20% FTE (at nine months remaining) to monitor compliance with various City employment and workforce requirement in construction contracts. The Officer will also provide technical assistance in expanding opportunities for small minority and women-owned contractors to compete for CDBG funded projects. The Officer will also collect information on the employment and subcontracting associated with construction contracts.

8) San Francisco Housing Development Corporation \$85,000

The San Francisco Housing Development Corporation (SFHDC) helps low and moderate-income families achieve the American dream of home ownership and affordable rentals. SFHDC was founded in 1988 by civic and community leaders of the Fillmore and Bayview Hunters Point neighborhoods in response to the steady displacement of African-Americans from these areas, due largely to gentrification and escalating housing costs. According to the 2000 Census, this situation increased as the African American population plummeted in San Francisco by 15%, the largest decline in the nation. The mission of the San Francisco Housing Development Corporation is to foster stability in the San Francisco African-American community through the development of affordable housing and the facilitation of home ownership.

Project Description

Funding will be used to support community development and building management for the new Community Center at Alice Griffith Public Housing Development. The Community Center will serve children and families within the 300-unit development.

9) Tides Center began working with promising charitable initiatives in 1979 as the Projects Program of Tides Foundation. In 1996, this program became Tides Center, an independent nonprofit organization registered with the Internal Revenue Service as a 501(c)(3) public charity. Tides Center provides a fiscal home and infrastructure support to charitable initiatives that are not incorporated as a nonprofit organization. As a nonprofit itself, Tides Center is the incorporated structure for Tides Projects.

Project Description (a) \$125,000

Funding to support a quarterly rotation of program activities at the Alice Griffith Community Center. The Community Center will serve more than 500 children and families per year in support of economic advancement, educational performance, and family support.

10) Project Description (b) \$61,592

Funding to support micro enterprise and economic development for residents of public housing within the Bayview Hunters Point and Visitacion Valley. These funds will contribute to the provision of safe and reliable transportation for seniors living within public housing, to access health and public service agencies.

11) OpNet \$50,000

OpNet was founded in 1997 to bridge the Digital Divide, a well-documented gap in technology access and employment for people of color and women. OpNet creates economic opportunity for low-income young adults between the ages of 18 to 25 through technical training and career development services. OpNet's strategy is to provide promising youth with the necessary information technology skills, along with the work experience, to compete in the new economy. The program trains students in both technical and job preparedness skills, and then assists them in gaining paid internships or direct employment in a technology position.

Project Description

Support to help low-income residents of the Southeast sector to use technology to build assets and savings, improve access to social service referrals and increase overall computer literacy for individuals and families, through training and the development of customized web-based applications.

12) Young Community Developers (YCD) \$120,000

Young community Developers, Inc., established in 1970, provides a safe and supportive environment for job seekers to access employment opportunities on the internet, update resumes and receive personal attention addressing their personal barriers to employment.

YCD's mission is to provide comprehensive employment and workforce development services to unemployed and underemployed San Franciscans, particularly those residing in the Bayview Hunters Point Community.

Project Description

Funding to support job development and placement for residents in the Southeast sector. Additionally, funds will be allocated to enhance computer access, employment training and development and access to social services for housing project residents, including North Beach residents.

13) National Community Development Institute (NCDI) \$30,000

The mission of the national Community Development Institute (NCDI) is to provide customized capacity-building and social transformation in diverse, low-income communities. Their vision is to build strong, healthy, resilient communities of color with the leadership, infrastructure and civic participation to effect social change, shape public policy and influence the political economy in a diverse society.

Project Description

Support for technical assistance and capacity building to emerging Parent Associations within public housing in the southeastern sector of the city.

14) Bernal Heights Neighborhood Center / Encore Project: \$ 5,000

The ENCoRe project will organize and connect small businesses along the Excelsior's commercial corridor with key services to stabilize, expand, and retain family-owned, minority businesses and recruit new businesses to fill vacancies

15) MOCD / SF Shines: \$ 30,000

The SF Shines, Mayor's Façade Improvement Program is a tool to revitalize the City's neighborhood commercial corridors. The City will partner with property and business owners in neighborhood commercial districts to help revitalize retail corridors, increase commercial activity and enhance districts' streetscapes. MOCD will use the \$30,000 to provide façade improvements services for small business owners in the Excelsior neighborhood in conjunction with other façade improvement dollars previously allocated. Individual small businesses will be encouraged to apply for these funds as they become available. MOCD will administer these funds.

Available for Carryforward				
As of 9-27-2005				
Grant	Gr. Detail	Amount	Subtotal	Agency Name
MOCD99	03ZR05	131.00		YOUTH FOR SERVICE
			131.00	
MOCD01	03Z11F	6,500.00		EPISCOPAL COMMUNITY SVCS.
MOCD01	20U231	5,000.00		LYON-MARTIN WOMEN'S HEALTH SERVICES
			11,500.00	
MOCD02	03A247	20,000.00		LEGAL ASSISTANCE TO THE ELDERLY
			20,000.00	
MOCD03	03D229	94,420.00		MISSION NEIGHBORHOOD CENTERS
MOCD03	03E219	200.00		BOOKER T WASHINGTON
MOCD03	03ZR03	195,120.09		VISITACION VALLEY JET
			289,740.09	
MOCD04	03ZR04	751.00		YOUTH FOR SERVICE
MOCD04	03ZR01	60,879.91		VISITACION VALLEY JET
MOCD04	18CZ01	100,000.00		SAN FRANCISCO HOUSING AUTHORITY
MOCD04	20ZR16	20,000.00		LEADERSHIP SAN FRANCISCO
MOCD04	03M301	322.15		LITTLE CHILDREN'S DEV. CTR. 1223 WEBSTER
MOCD04	03D158	41,000.00		MISSION NEIGHBORHOOD CENTERS
MOCD04	03P248	88,500.00		WALDEN HOUSE (TI)
MOCD04	05C002	1,871.00		AIDS LEGAL REFERRAL PANEL
MOCD04	05C115	70.00		LA RAZA CENTRO LEGAL
MOCD04	05D006	4,896.00		ARK OF REFUGE
MOCD04	05D053	5,048.00		COMMUNITY YOUTH CENTER(CHINATOWN YC)
MOCD04	05D101	9.00		HUNTERS POINT COMMUNITY YOUTH PARK FND
MOCD04	05D151	224.00		MISSION EDUCATION PROJECTS, INC.
MOCD04	05D198	300.00		ST. JOHN'S EDUCATIONAL THRESHOLDS CTR
MOCD04	05D217	2,520.00		VIETNAMESE COMMUNITY CENTER
MOCD04	05D222	258.00		WEST BAY PILIPINO MULTI-SERVICE CORP
MOCD04	05G051	721.00		COMMUNITY UNITED AGAINST VIOLENCE (CUAV)
MOCD04	05G259	260.00		GUM MOON RESIDENCE HALL
MOCD04	05H031	722.00		CAREER RESOURCES DEVELOPMENT CENTER
MOCD04	05H036	3,551.00		CENTRAL CITY HOSPITALITY HOUSE
MOCD04	05H071	1,065.00		GLIDE FOUNDATION
MOCD04	05M123	2,851.00		LYON-MARTIN WOMEN'S HEALTH SERVICES
MOCD04	05O163	106.00		NEW LEAF SERVICES
MOCD04	05O005	1,785.00		ARAB CULTURAL CENTER
MOCD04	05O185	127.00		SAMOAN COMMUNITY DEVELOPMENT CTR.,INC
MOCD04	05O196	57.00		SOUTHWEST COMMUNITY CENTER
MOCD04	14H010	7,722.00		ASIAN NEIGHBORHOOD DESIGN
MOCD04	14H049	22.00		COMMUNITY DESIGN CENTER
MOCD04	14H050	63.00		COMMUNITY HOUSING PARTNERSHIP
MOCD04	14H153	18,977.00		MISSION HOUSING DEVELOPMENT CORP
MOCD04	14H210	56.00		TENDERLOIN NEIGHBORHOOD DEV CORP
MOCD04	18B195	5,991.00		ED/TA-SOUTHEAST ASIAN COMMUNITY CENTER
MOCD04	18C176	112.00		ED/TA-POSITIVE RESOURCE CENTER
MOCD04	18C181	7.00		Renaissance Entrepreneurship Ent.
MOCD04	18C194	248.00		ED/TA-SOUTHEAST ASIAN COMMUNITY CENTER
MOCD04	18C226	1,705.00		ED/TA-WU YEE CHILDREN'S SERVICES
MOCD04	20O161	215.00		MISSION NEIGHBORHOOD CENTERS
MOCD04	20O266	15,000.00		KOREAN CENTER
MOCD04	20O267	10,000.00		MISSION ECONOMIC DEVELOPMENT ASSOC
MOCD04	20O269	7,000.00		UPRISING COMMUNITY FED CREDIT UNION
MOCD04	20132H	2,295.00		MOCD PLNNG COMPASS POINT NONPROFIT SRVCS
			407,407.06	

Available for Carryforward			
As of 9-27-2005			
Grant	Gr. Detail	Amount	Subtotal
			Agency Name
MOCD05	03ZR03	4,118.00	YOUTH FOR SERVICE
MOCD05	20ZR15	15,000.00	MEPI/RAP
MOCD05	030226	50,000.00	ASIAN PERINATAL ADVOCATES
MOCD05	03E154	18,000.00	MISSION NEIGHBORHOOD CENTERS
MOCD05	03E228	500,000.00	BERNAL HEIGHTS NEIGHBORHOOD CENTER
MOCD05	200259	15,000.00	VIETNAMESE ELDERLY MUTUAL ASSITANCE ASSOC.
MOCD05	05A020	1,501.75	NETWORK FOR ELDERLS (BHP)
MOCD05	05D024	2,012.85	BOOKER T. WASHINGTON COMM SVC CTR
MOCD05	05D146	1,067.55	MISSION EDUCATION PROJECTS, INC
MOCD05	05D217	58.43	WEST BAY PILIPINO MULTI-SERVICE CORP.
MOCD05	05E104	28,353.80	JOHN W. KING SENIOR CENTER
MOCD05	05G060	244.72	DONALDINA CAMERON HOUSE
MOCD05	05H003	1,749.80	AFRICAN IMMIGRANT & REFUGEE RESRCE CTR
MOCD05	05H036	7,372.08	CENTRAL CITY HOSPITALITY HOUSE
MOCD05	05H177	66.00	RENAISSANCE PARENTS OF SUCCESS
MOCD05	05H214	328.82	VISITACION VALLEY JET
MOCD05	05M119	10,563.94	LYON-MARTIN WOMEN'S HEALTH SVCS
MOCD05	05O158	341.56	NEW LEAF/SERVICE FOR OUR COMMUNITY
MOCD05	050005	1,787.46	ARAB CULTURAL CENTER
MOCD05	050061	656.00	ELLA HILL HUTCH COMMUNITY CENTER
MOCD05	050191	119.06	SOUTHWEST COMMUNITY CENTER
MOCD05	050245	15.38	ACORN INSTITUTE
MOCD05	18B301	27,044.62	ED/TA-TENDERLOIN NEIGHBORHD DEV CORP
MOCD05	19D046	527.87	ED-CITY COLLEGE OF SF SM BUS DEVLPMNT CTR
MOCD05	200057	3,531.49	COMPASSPOINT NONPROFIT SERVICES
MOCD05	200258	773.75	SOUTHWEST COMMUNITY CORPORATION
MOCD05	200259	15,000.00	VIETNAMESE ELDERLY MUTUAL ASSISTANCE
MOCD05	20128H	13,592.41	GLIDE FOUNDATION, 330 ELLIS ST.
			718,827.34
Total CDBG		1,447,605.49	1,447,605.49

Mayor's Office Of Community Development
City & County Of San Francisco



Gavin Newsom
Mayor

Dwayne Jones
Director

October 4, 2005

TO: Luke Klipp

RE: BOS File:# 05-1636

The supporting documentation regarding the reprogramming of recaptured CDBG funds has been provided to assist the Board of Supervisors in their consideration of this Resolution (Ammiano, Maxwell), file number 05-1636. Please note that the carry-forward list includes two distinct types of programs, 1) those that have been closed-out based on standard end of year practices; and 2) programs that were never formally initiated.

I thought it would be most useful if I provided you with a brief explanation of the latter list.

MOCD03 Mission Neighborhood Centers: \$94,420

Mission Neighborhood Center cancelled the RAP project.

MOCD03 Visitation Valley Jobs Employment Training (VVJET): \$195,120.09

This and the other VVJET allocation total \$256,000 and is equal to the amount be recommended for Visitation Valley Community Development Center (VVCDC). VVJET has agreed to have VVCDC implement the capital project at the new Village. The project will benefit VVJET's job training program.

MOCD04 VVJET: \$60,879.60

See related VVJET notes above.

MOCD04 SF Housing Authority (SFHA): \$100,000

This was originally intended to support micro-enterprise at Alice Griffith; the project did not become viable for the SFHA.

MOCD04 Mission Neighborhood Centers: \$41,000

Mission Neighborhood Centers cancelled the RAP project.

MOCD04 Walden House: \$88,500

Walden House cancelled the project.

MOCD05 Bernal Heights Neighborhood Center: \$500,000

The project at 4550 Mission Street is no longer viable or feasible.

If you have any further inquiries, please don't hesitate to contact me directly.

Sincerely,
Dwayne Jones
Director

Item 6 - File 05-1519

Departments: Department of Administrative Services (DAS), Grants for the Arts (GFTA)
Mayor's Office of Housing (MOH)

Item: Ordinance amending Sections 50.2, 50.10, 50.11, and 50.21 of the San Francisco Administrative Code pertaining to the Nonprofit Performing Arts Loan Program (NPALP) for purposes of transferring administration of the NPALP from the Mayor's Office of Housing to the Grants for the Arts under the Department of Administrative Services. The proposed amendment to the Administrative Code would also authorize Grants for the Arts to establish criteria for loan forgiveness and other related regulations and agreements pertaining to the NPALP.

Description: The City's Nonprofit Performing Arts Loan Program (NPALP) was established by the Board of Supervisors in 1984 to make low-cost loans available to qualified nonprofit arts organizations for renovations and capital improvements to performing arts facilities. When such loans are repaid, they are deposited to the Mayor's Performing Arts Loan Fund, which is a revolving fund that initially received a \$500,000 General Fund allocation as previously appropriated by the Board of Supervisors in April of 1984. Subsequent allocations to this Fund were appropriated from Hotel Tax revenues. As shown in Attachment I, provided by Mr. Scott Madden from the Mayor's Office of Housing, (MOH) the Mayor's Performing Arts Fund has a balance of \$428,576 as of October 6, 2005.

According to Mr. Madden, the NPALP is intended to be an ongoing source of funds for performing arts capital loans made to nonprofit arts organizations. The NPALP loan repayments are to be deposited to the Mayor's Performing Arts Loan Fund to serve as a revenue source for making new loans to other nonprofit arts organizations. As discussed in this report, because several of the NPALP loan recipients have failed to repay their loans, the NPALP has been unable to function as a revolving loan fund, as originally intended, without the necessity of appropriating additional monies for this program.

Currently under Chapter 50 of the Administrative Code, the NPALP is administered by MOH and does not expressly allow for loan forgiveness.

The proposed ordinance would transfer administration of the NPALP from MOH to GFTA, under the Department of Administrative Services (DAS). The proposed ordinance would also authorize the Director of GFTA to establish rules and regulations for (a) loan repayments and (b) criteria for loan forgiveness, in consultation with the Controller's Office. According to the proposed ordinance, such rules and regulations are deemed necessary in order to recoup outstanding loans and to ensure the ongoing effectiveness of the program by assisting the economic viability of the nonprofit arts organizations which receive loans.

Fiscal Impact:

Attachment II, provided by Mr. Madden, is a listing of all loans made by the NPALP dating back to August 24, 1984, including the name of the recipient of each loan, the purpose of each loan, loan amount, the date and term of each loan, the amount of the loan repaid, the total remaining amount to be paid, and the amount of each loan that was defaulted and/or forgiven. According to Mr. Madden, each loan is to be repaid at a rate of 3% simple interest. In addition, Mr. Madden states that a one-time loan processing fee of 1% was levied on the principle amount of each loan. The recouped loan processing fees are included in the "Repayments and Fees" line item of Attachment I.

As shown in Attachment II, NPALP has made 22 loans totaling \$2,217,898 since the inception of NPALP in 1984. Of the total of \$2,217,898 in loans previously made to nonprofit arts organizations:

- 2 loans totaling \$250,000 are current,
- 7 loans totaling \$761,331 are delinquent, (the organization is late on loan repayments),
- 4 loans totaling \$390,000 are past due, (the maturity date of the loan has elapsed),
- 5 loans totaling \$366,567 are paid in full,
- 1 loan totaling \$100,000 has been forgiven, and
- 3 loans totaling \$350,000 are in default.

According to Mr. Madden, NPALP loans are currently serviced by AmeriNational Community Services, Inc. (AmeriNational), a for-profit corporation. Attachment III, provided by Mr. Madden, describes MOH's loan servicing agreement with AmeriNational, and contains the FY 2004-2005 costs to MOH to manage NPALP, including the costs of the loan servicing agreement with AmeriNational as well as MOH's administrative costs. As stated in Attachment III, AmeriNational has acted as loan servicer since NPALP's inception in 1984 and the "method of procuring that agreement is not known". The agreement with AmeriNational does not contain a total amount to be paid to AmeriNational, but instead contains a fee schedule for the various services the contractor provides. According to Mr. Madden, in FY 2004-2005, the annual fee paid to AmeriNational to service the NPALP loans was \$1,686.60. Mr. Madden states that "action to solicit a new contract has been planned since 2002, but has been put on hold until potential administrative changes have been addressed." As shown in Attachment III, based on an allocation of costs of two employees each working one hour a month, MOH's estimated costs to administer NPALP are \$1,470 annually, for a total annual cost to MOH of \$3,156.60 (\$1,470 plus \$1,686.60 paid to AmeriNational.)

Ms. Kary Schulman of GFTA states that, if the proposed ordinance is approved, GFTA would administer the NPALP with an existing 0.1 FTE for program responsibilities and 0.1 FTE for fiscal responsibilities, such that the costs would be absorbed in the GFTA's annual operating budget. In addition, Ms. Schulman advises that GFTA would likely contract out the loan servicing, which is estimated to be between \$6,000 and \$7,000 annually. According to Ms. Schulman the FY 2004-2005 costs of \$1,686.60 paid to AmeriNational to provide the loan services would increase by up to \$7,000 annually, or an increase of 315 percent, because as described in Attachment III, the existing contractor, AmeriNational, "can take fees only on the payments that it collects, so as more and more loans have become delinquent over the years, the cost to service the program has decreased." Ms. Schulman anticipates an increase in the cost to service

the NPALP as a greater number of loan payments are collected.

Comments:

1. As shown in Attachment II, 11 non-profit organizations are delinquent or past due on their loans. Attachment IV, provided by Mr. Madden, explains that the 11 non-profit organizations are in arrears for different reasons: "some are in arrears because they weren't billed, some because they can't pay, and some because they are confused about their obligation."

2. Attachment II shows that the three loans of \$350,000 are in default, and one loan of \$100,000 was forgiven for the reasons explained in Attachment V. As shown in Attachment II, \$261,212 or 58 percent of these four loans totaling \$450,000 have never been repaid. According to Mr. Madden, all four of these organizations which received the loans "failed as arts organizations, were unable to make payments on their loans, and are no longer in business." Mr. Madden states that "MOH's records do not contain the specific internal circumstances that caused each organization to default on their loans or to fail as an organization."

3. Attachment VI provided by Mr. Madden explains that collateral for all of the loans previously made to nonprofit arts organizations consists of personal property assets owned by the nonprofits. Mr. Madden states that after the four organizations noted in Comment No. 2 above went out of business "MOH was unable to locate and secure these assets. In any case, they were likely to have little commercial value, and disposition would have been problematic." According to Mr. Madden, "without a real estate security interest, the City has no realistic way of enforcing collection."

4. Ms. Schulman and Mr. Madden concur that MOH's priority was on the renovation phase of the arts organizations' projects (for which the loans were given), and agree that MOH lacks adequate expertise and the staffing required to properly manage the loan repayment process. MacDougall & Company, hired by GFTA in consultation with MOH in 2002 to conduct a program assessment of NPALP, issued a final report in August

2003 which stated: "The long-standing precedent of non-collection on loans would be difficult, indeed, probably impossible, to reverse at this late date." According to the MacDougall report, "Borrowers are left to their own devices after the construction period, which, in the case of the average loan in the portfolio, lasts for 24 years. Organizations in arrears do not receive notices, reminders or any sort of communication." According to Mr. Madden, the MacDougall report is incorrect: "AmeriNational provides monthly notices to borrowers of amounts due and payable, as well as notices of delinquent payments at 15, 30 and 60 days past due." Mr. Madden explains that MOH did not communicate directly with organizations in arrears because no one in MOH had the responsibility to do so. Mr. Madden notes that given MOH's mandate to maximize housing opportunities for low-income households and individuals, and given the comparatively larger size of the housing finance programs that MOH administers, NPALP was a low priority for the Department.

Attachment VII, provided by Ms. Schulman, states why GFTA is better suited to administer NPALP.

5. According to Ms. Schulman, a \$25,000 contract has been awarded by GFTA to the Northern California Community Loan Fund, a nonprofit organization. Attachment IV explains the purpose of this contract. According to Ms. Schulman, the Northern California Community Loan Fund is evaluating the financial status of each loan recipient in order to determine their ability to repay their loans. The assessment began July 1, 2004 and will terminate June 30, 2006. Ms. Schulman anticipates that GFTA would renegotiate the terms of each loan remaining in the portfolio to make each term suitable to a realistic assessment of the capacity of each borrower. Ms. Shulman states that she is unable to estimate the amount that might be recovered from the loans in arrears.

6. As currently required by Chapter 50 of the San Francisco Administrative Code, repaid loan funds are deposited into the Mayor's Performing Arts Loan Fund, which is used exclusively for the purpose of making construction project management, capital improvement

and building acquisition loans to non-profit performing arts organizations. Mr. Madden states that there have been no NPALP loans made since November 27, 2000 because “the economic events of 2001 destabilized the arts community, and because arts organizations were struggling, few have been in a position to take on loans.”

7. According to Ms. Shulman, NPALP has been unable to function as a revolving loan fund, as intended, because of the \$2,217,898 in total principal, only \$846,722, or 38 percent, has been paid to date. \$1,109,964 or 50 percent is outstanding, and the remaining \$261,212 or 12 percent has been forgiven or defaulted. According to Mr. Madden, “apart from the notices provided by AmeriNational, MOH currently is taking no further action to recoup the delinquent loans.” The absence of policies about what to do in the case of default was noted in a 1988 Controller’s Office audit of NPALP which states that “MOH’s procedures for administering a loan in default need to be established.” The audit further noted that “Borrowers are not assessed additional interest nor charged late payment penalties when repayments are received after their due date.” The Budget Analyst notes that although the audit was conducted only four years after NPALP began, according to the audit, four loans had already defaulted or were on the brink of default. The MacDougall program assessment report concludes: “These are factors that allow a culture where loan payments are not made, late fees are not collected, and loans are defaulted without collections made on the collateral which, in theory, secures the loans. Consequently, the income necessary to keep a revolving loan fund revolving is not realized.”

8. GFTA has awarded annual general operating support grants to all of the current NPALP loan recipients, except for Theatre Guild of San Francisco/Victoria Theatre¹. Ms. Schulman states that “no organization has yet requested to repay a NPALP loan with GFTA funds, and GFTA does not have any policies regarding such an eventuality.”

¹ According to Ms. Shulman, “the status of Theatre Guild of San Francisco/Victoria Theater is unknown—the theatre is still in operation but is almost certainly no longer incorporated as a nonprofit organization.”

Memo to the Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

9. Section 50.11 of the City's Administrative Code currently provides that, "The Board of Supervisors shall by resolution approve all (NPALP) rules and regulations prior to their effective date." The proposed ordinance provides that these rules and regulations would include (a) general payment schedule adjustments, (b) individualized payment schedule adjustments and (c) criteria for loan forgiveness, which the Director of the Grants for the Arts would develop in consultation with the Controller's Office, in order to recoup outstanding loans, ensure the ongoing effectiveness of the program and assist arts organizations continued financial viability. The Budget Analyst notes that GFTA has not yet developed criteria for such loan forgiveness, nor has GFTA issued other related regulations and agreements as would be authorized by the proposed ordinance.

According to Ms. Varah, if the Board of Supervisors approves the proposed ordinance, the Board of Supervisors would continue to retain the authority to approve all NPALP rules and regulations, including criteria for loan forgiveness, developed by the Director of GFTA. In order to ensure full accountability of NPALP, the Budget Analyst recommends GFTA return to the Board of Supervisors within a year with a financial status report on each of the loans in the NPALP portfolio setting forth (a) any specific criteria for loan adjustments or forgiveness, (b) a plan of action for collection of all remaining delinquent and future loans, and (c) use or exclusion of annual grant funds for loan repayment purposes.

10. Currently, the Delinquent Revenue Section of the City's Treasurer/Tax Collector's Office is responsible for collecting on delinquent bills that are owed to various City departments. The GFTA should contact the Treasurer/Tax Collector's Office in developing the required loan repayment schedules and the criteria for loan forgiveness, in order to be consistent with other City policies for adjusting, waiving or forgiving delinquent bills and loans.

11. The Budget Analyst notes that line 8, page 3 of the proposed ordinance to contains a typographical error. The

legislation should read "*the Non Profit Performing Arts Loan Program*", not "*the Non Profit Performing Arts Law Program*." This typographical error should be amended.

- Recommendations:**
1. In accordance with Comment No. 10, request that the GFTA contact the Treasurer/Tax Collector's Office in developing the required loan repayment schedules and the criteria for loan forgiveness, in order to be consistent with other City policies for adjusting, waiving or forgiving delinquent bills and loans.
 2. In accordance with Comment Nos. 8 and 9, amend the proposed ordinance to require that the Director of GFTA submit a report to the Board of Supervisors within one year containing the financial status on each of the loans in the NPALP portfolio, setting forth (a) any specific criteria for loan adjustments or forgiveness, (b) a plan of action for collection of all remaining delinquent and future loans, and (c) specify use or exclusion of annual grant funds for loan repayment purposes.
 3. In accordance with Comment No. 11, amend line 8, page 3 of the proposed ordinance to correct a typographical error. The legislation should read "*the Non Profit Performing Arts Loan Program*", not "*the Non Profit Performing Arts Law Program*."
 4. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Performing Arts Loan Program
Operating Statement
FY84 to FY05 (April 1984 to October 2005)

INCOME

Appropriations:

General Fund Allocation April 1984	500,000.00
Hotel Tax Allocation July 1985	500,000.00
Hotel Tax Allocation July 1986	300,000.00
Hotel Tax Allocation June 1999	600,000.00
	<hr/>
	1,900,000.00

Repayments & Fees*: 751,885.28

Total Income 2,651,885.28

DISBURSEMENTS

Loans 2,217,898.00
Loan Closing Expenses 5,411.28

Total Disbursements 2,223,309.28

Fund Balance Available for Loans 428,576.00 per Controller's Office as of 10/6/05

*There is a gap in MOH's records of repayments/fees and closing expenses from 1988 to 1996. We deduced the total amount of repayments/fees shown above from the available data for total appropriations, loans made and the current fund balance per the Controller's Office. Though very reliable, this figure would need to be adjusted by the amount of closing expenses incurred during this period in order to be fully accurate.

Theater Name	Borrower	Purpose of Loan	Loan Amount	Nonprofit Performing Arts Loan Program - Loan History										Total Amt. To Pay Off Loan (Prin. + Int.)	Amount Forgiven or Defaulted	Last Payment Date	Current Status	Monthly Payment	No. of Payments In Arrears	Amount in Arrears
				Loan Term In Years	Maturity Date	Amount of Loan Paid To Date	% of Loan Paid To Date	Outstanding Principal	Accrued Interest											
Current Loans (2)																				
New Performance Gallery*	Oberlin Dance Collective	rehab existing theater	\$150,000	30	8/7/1995															
	Friends of Support Services for the Arts	rehab existing performance hall	\$100,000	20	2/13/1997															
SOMAR*																				
Subtotal - Current																				
Delinquent Loans (7)																				
Traveling Jewish Theatre*	Studio Frenos	build out theater space	\$21,500	26	10/4/1984															
Theatre of Yugen*	Theatre of Yugen	build out theater space	\$40,831	21	1/24/1985															
Theatre of Yugen*			\$10,000	4/6/1985	777	777	777	777	777	\$10,000					777	delinquent	777	777	777	
York Theatre*	Bravall for Women in the Arts	acquire theater	\$150,000	30	1/30/1996											delinquent				
The Marsh*	The Marsh	acquire theater	\$150,000	30	8/5/1996											delinquent				
Thick Description*	Thick Description	build out theater space	\$200,000	20	11/5/1999											delinquent				
Traveling Jewish Theatre*	Traveling Jewish Theatre	rehab existing theater	\$189,000	27	11/27/2000											delinquent				
Subtotal - Delinquent																				
Past Due Loans (4)																				
Victoria Theater	Theatre Guild of San Francisco	rehab existing theater	\$100,000	12	6/26/1986											delinquent				
Theatre Rhinoceros*	Theatre Rhinoceros	rehab existing theater	\$100,000	11	6/8/1987											delinquent				
EXTTheatre	EXTTheatre	build out theater space	\$90,000	10	7/15/2003											past due				
Eureka Theatre	Eureka Theatre Company, Inc.	build out theater space	\$100,000	10	8/24/1984											past due				
Subtotal - Past Due																				
Paid in Full Loans (5)																				
Community Music Center	Community Music Center	rehab existing performance hall	\$100,000	6	10/21/1991											paid in full				
One Act Theatre	One Act Theatre of San Francisco	rehab existing theater	\$36,567	5	3/14/1991											paid in full				
																		Attachment Page 1 of 1		

Nonprofit Performing Arts Loan Program - Loan History																	
Theater Name	Borrower	Purpose of Loan	Loan Amount	Loan Date	Loan Term in Years	Maturity Date	Amount of Loan Paid To Date	% of Loan Paid To Date	Outstanding Principal	Accrued Interest	Total Amt. To Pay Off Loan (Prin. + Int.)	Amount Forgiven or Defaulted	Last Payment Date	Current Status	Monthly Payment	No. of Payments In Arrears	Amount In Arrears
New Langston Arts	80 Langston Street Corporation	rehab existing performance hall	\$30,000	3/24/1986	7	3/24/1993	\$30,000	100%	\$0	\$0	\$0			paid in full		0	\$0.00
		build out theater space	\$100,000	6/10/1987	5	6/10/1992	\$100,000	100%	\$0	\$0	\$0			paid in full		0	\$0.00
Lorraine Hansberry Theatre	YWCA and SEW Productions	build out theater space	\$100,000	12/16/1987	10	12/16/1997	\$100,000	100%	\$0	\$0	\$0			paid in full			\$0.00
		Subtotal - Paid in Full	\$306,567				\$306,567		\$0	\$0	\$0						
Forgiven Loans (1)	Illustrated Stage Company	build out theater space	\$100,000	6/2/1986	10	6/2/1996	\$57,958	58%	\$0	\$0	\$0	\$42,042		forgiven		0	\$0.00
Defaulted Loans (3)		Subtotal - Forgiven	\$100,000				\$57,958		\$0	\$0	\$0	\$42,042					
Theatre Artaud	S.F. International Video Festival	rehab existing theater	\$100,000	4/15/1985	24	2/1/2009	\$81,796	82%	\$0	\$0	\$0	\$18,204	3/12/2002	defaulted	\$241.13	42	\$10,127.46
		build out theater space	\$100,000	2/23/1988	12	2/23/2000	\$13,742	14%	\$0	\$0	\$0	\$86,258	7	defaulted			\$0.00
George Coates Performance Works	George Coates Performance Works	rehab existing theater	\$150,000	3/12/1991	15	3/1/2006	\$35,292	24%	\$0	\$0	\$0	\$114,708	7/22/1996	defaulted	\$1,123.73	113	\$126,981.49
		Subtotal - Defaulted	\$350,000				\$130,830		\$0	\$0	\$0	\$219,170					
		TOTAL	\$2,217,398				\$846,722	38%	\$1,109,964	\$68,581	\$1,011,628	\$261,212					
									50%	50%	12%						
* GFTA has awarded annual general operating support grants to all of the current NP/AP recipients, except for Theatre Guild of San Francisco/Victoria Theatre.																	

AmeriNational (formerly U.S. Escrow) has acted as loan servicer since the program inception in 1984, under an agreement executed at that time. The method of procuring that agreement is not known. The contract is not for a specific amount, but rather, it contains a fee schedule for the various services that the contractor provides, including

- ☐ loan documentation preparation
- ☐ fund disbursement services
- ☐ loan collection services.

AmeriNational's charges for loan collection services have been modest. The cost to service a loan of \$100,000 is approximately \$42 monthly and \$500 annually. The contractor can take fees only on payments that it collects, so as more and more loans have become delinquent over the years, the cost to service the program has decreased. The annual cost to service the 3 loans (totaling \$350,000) for which payments were received in August 2005 is \$800, whereas, if the entire original portfolio of loans (totaling approximately \$2.2 million) were active today, the annual cost would be about \$11,000. Action to solicit a new loan servicing contract has been planned since 2002 but has been put on hold until potential administrative changes have been addressed.

NPALP - MOH Program Administration Budget

Total FTE in Dept	38.9		
	FTE*	Total	Allocated to NPALP
Program Staff	0.0058	77,116	447
Fiscal Staff	0.0058	78,989	458
* 1 hr. per mo. per staff person	0.0116	156,105	905
Fringe	24%	37,465	217
Subtotal - Staff Cost		193,570	1,123
		per FTE	
Overhead	638,976	16,426	191
Department Services	527,000	13,548	157
TOTAL			1,470

AmeriNational Loan Servicing Charges & Program Income - FY04/05

	Borrower Remittance	Loan Servicing Fee	Remitted to NPALP ("Program Income")
Jul-04	2,888.36	137.83	2,750.53
Aug-04	3,648.76	150.33	3,498.43
Sep-04	2,873.85	137.83	2,736.02
Oct-04	2,691.04	120.82	2,570.22
Nov-04	3,053.37	142.34	2,911.03
Dec-04	3,193.57	137.83	3,055.74
Jan-05	2,391.04	79.16	2,311.88
Feb-05	3,285.68	154.84	3,130.84
Mar-05	2,688.36	96.17	2,592.19
Apr-05	2,391.94	79.16	2,312.78
May-05	5,611.69	346.48	5,265.21
Jun-05	1,922.75	125.33	1,797.42
	36,640.41	1,708.12	34,932.29

Total annual cost to MOH to manage NPALP in FY 2004-2005 = \$3,178.12

MAYOR'S OFFICE OF HOUSING CITY AND COUNTY OF SAN FRANCISCO



GAVIN NEWSOM
MAYOR

MATTHEW O. FRANKLIN
DIRECTOR

MEMO TO: Harvey Rose, Budget Analyst
FROM: Scott Madden, MOH
Kary Schulman, Grants for the Arts
DATE: October 5, 2005
RE: Non Profit Performing Arts Loan Program (NPALP)
CC: Lori Bamburger

This question [of why the loans are in arrears] has as many answers as there are borrowers. Some are in arrears because they weren't billed, some because they can't pay, some because they are confused about their obligation-- e.g., some loans are not due until the project is completed. In some cases a large project may be completed in phases, and organizations, in the absence of any guidance from NPALP, have interpreted this to mean that loan payments for Phase 1 do not have to be made until the completion of the whole project. Apart from the notices already provided by AmeriNational, MOH currently is taking no further action to recoup the delinquent loans. However, GFTA, through its contract with the Northern California Community Loan Fund, is making such efforts.

The contract will fund an evaluation of NPALP portfolio, including reviewing payment histories; reviewing current financial information for each borrower; making recommendations for bringing delinquent loans current; making recommendations for any restructuring as indicated by evaluations; developing revised repayment schedules; new loan agreements, or other documents as needed; providing specific technical assistance to borrowers in developing realistic projections and financing strategies; and reviewing existing NPALP policies and guidelines and recommending revisions. This was not a sole source contract; it was considered a grant since NCCLF is a nonprofit organization.

**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO**

Attachment V



**GAVIN NEWSOM
MAYOR**

**MATTHEW O. FRANKLIN
DIRECTOR**

MEMO TO: Harvey Rose, Budget Analyst
FROM: Scott Madden, MOH
Kary Schulman, Grants for the Arts
DATE: October 6, 2005
RE: Non Profit Performing Arts Loan Program (NPALP)
CC: Lori Barnburger

The Illustrated Stage Company, the entity that borrowed the \$100,000 to build out the theater space within the building at 25 Van Ness is no longer in existence. When the City acquired 25 Van Ness it was deemed that the improvements made to the theatre space previously occupied by the Illustrated Stage Company became City property and thus, further loan collection was not appropriate. In addition, the City has been able to set rental rates based on the improved space, which is currently being used as a theater and performing arts space by The New Conservatory Theatre.

**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO****GAVIN NEWSOM
MAYOR****MATTHEW O. FRANKLIN
DIRECTOR**

MEMO TO: Harvey Rose, Budget Analyst
FROM: Scott Madden, MOH
Kary Schulman, Grants for the Arts
DATE: October 5, 2005
RE: Non Profit Performing Arts Loan Program (NPALP)
CC: Lori Bamburger

All of the loans identified as "defaulted" above pledged personal property assets, such as theater lighting, sound equipment, seating, etc. as security. After the organizations went out of business, MOH was unable to locate and secure these assets. In any case, they were likely to have little commercial value, and disposition would have been problematic. The collateral on the other loans in the portfolio is also personal property and fixtures in the theater or performance space, including light and sound equipment, seating, scenery and props. However, without a real estate security interest, the City has no realistic way of enforcing collection.

**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO**

Attachment VII



**GAVIN NEWSOM
MAYOR**

**MATTHEW O. FRANKLIN
DIRECTOR**

MEMO TO: Harvey Rose, Budget Analyst
FROM: Scott Madden, MOH
Kary Schulman, Grants for the Arts
DATE: October 5, 2005
RE: Non Profit Performing Arts Loan Program (NPALP)
CC: Lori Bamburger

Grants for the Arts, which has annual funding agreements with all but one of the current borrowers is the City agency best equipped to continue NPALP and has expertise to do so based on the following:

- Grants for the Arts has, over the past decade, initiated capital programs enabling arts organizations to acquire or renovate space totaling \$1.5 million;
- Grants for the Arts advises two nonprofit loan/grant programs on capital needs of arts organizations: the Northern California Community Loan Fund, and the Nonprofit Finance Fund; and
- Grants for the Arts has supplemented the NPALP program over the years, more than doubling the initial City subsidy of \$500,000.

Item 7 - File 05-1596

Departments: Municipal Railway (Muni)
Municipal Transportation Agency (MTA)

Item: Resolution authorizing the Director of Transportation to execute the Tenth Amendment to San Francisco Municipal Railway (Muni) Contract No. CS-116 previously awarded by the MTA to AGS / Gannett Fleming, Inc., a joint venture (Gannett), for design and construction support services for the new Muni Metro East Light Rail Vehicle Maintenance and Operations Facility, located at 601 25th Street. The proposed tenth amendment amount of not to exceed \$3,313,629 results in a total authorized contract amount of not to exceed \$12,262,990. This contract would be extended for two and one-half years from January 19, 2006 to July 18, 2008, resulting in a total contract term of ten years.

Amount: \$3,313,629

Sources of Funds: Federal grant monies from the Federal Transit Administration, awarded to the Municipal Railway

Budget: According to Mr. John Fong of the Municipal Transportation Agency (MTA), the proposed tenth amendment amount of \$3,313,629 to the existing authorized contract amount of \$8,949,361 would increase the authorized contract amount by 37 percent to \$12,262,990.

As shown on pages 2 and 3 of Attachment I, provided by Mr. Fong, under the proposed \$3,313,629 amendment, Gannett, is to provide the following construction support services:

- Provide overall management and coordination for the entire Metro East Light Rail Vehicle (LRV) Facility project design team (\$441,420);
- Provide constant on-site support for the Resident Engineer and Municipal Railway (Muni) construction management team on technical matters (\$647,882);
- Provide geotechnical engineering support during various stages of excavation (\$28,348);

- Review and respond to the Construction Contractor's requests for information and submittals requiring in-depth review beyond the review provided by consultant's on site personnel (\$1,562,119);
- Perform site visits and witness factory testing/assembly as required (\$119,648);
- Evaluate and respond to contractor's proposed substitutions of products as required (\$50,000);
- Evaluate and respond to contractor's proposed value engineering solutions on construction details, etc. as required (\$50,000);
- Assist Muni staff in the safety certification process for the start up of the new facility as required (\$50,000);
- Provide cost estimates services as required (\$100,000);
- Provide design drawings/specifications for owner or contractor-initiated changes as required (\$175,000); and
- Reimbursable services, including travel costs related to off-site inspections, reproduction of drawings, etc. (\$89,212)

Attachment III, provided by Mr. Fong, provides additional budget details for the proposed \$3,313,629 tenth amendment.

Description:

According to Mr. Fong, the new Muni Metro East Light Rail Vehicle (LRV) Maintenance and Operations Facility (Metro East), which has an estimated total project budget of \$186,230,190, will provide storage and maintenance of light right vehicles serving the new Muni Third Street Light Rail line. Mr. Fong advises that presently Muni has only one such existing LRV maintenance and operations facility, Metro Green/Geneva Facility, located at San Jose and Geneva Avenues, which currently stores and maintains approximately 145 LRV's and 35 historic streetcars. Mr. Fong further advises that, when completed, the proposed Metro East Facility will store and maintain approximately 80 LRV's. Mr. Fong advises on page 1 of Attachment I that the new Metro East Facility will help "improve Metro service by relieving the overcrowded conditions at Metro Green/Geneva Facility."

The contract with Gannett was originally awarded on May 26, 1998. Attachment II, provided by Mr. Fong,

BOARD OF SUPERVISORS
BUDGET ANALYST

provides the ranking of the four firms which submitted proposals for the original contract awarded to Gannett, including the initial scores for all four firms and the final scores for the two finalists. As shown on page 1 of Attachment II, Gannett was ranked No. 2 out of four firms based on the written proposals submitted to the MTA (Muni). Mr. Fong advises that, based on the written proposals portion of the contract award process, Gannett was selected as one of the two finalists. Mr. Fong further advises that, based on the oral interviews, Gannett was ranked No. 1, as shown on page 2 of Attachment II.

The proposed resolution would authorize the Director of Transportation to approve an amendment to the existing professional services contract between the MTA and Gannett for construction support services for the Muni Metro East LRV Maintenance and Operations Facility.

According to Mr. Fong, the original contract between the MTA and Gannett, which was approved by the MTA on May 26, 1998, for the first of three phases of the Muni Metro East LRV Maintenance and Operations Facility, was in the amount of \$1,526,126 and had an initial term of 60 months, from July 19, 1998 to July 18, 2003. Subsequently, nine amendments to this contract extended the contract term to January 18, 2006. Mr. Fong advises that the proposed Tenth Amendment is for the remaining Phase 3 of the Metro East project for construction support services, and would extend the existing contract by 30 months, from January 19, 2006 through July 18, 2008.

Comments:

1. Attachment IV, provided by Mr. Fong, contains a description and amount for each of the nine previous amendments totaling \$7,423,235. Including the initial contract amount of \$1,526,126, as previously noted, the existing authorized contract amount is \$8,949,361.

2. Mr. Fong advises on page 4 of Attachment I that "in accordance with industry practice, and to provide a more cost-effective and efficient construction process, it is important that [Gannett] be under contract to the City to provide technical assistance, guidance and reviews as to various design-related issues that will arise during construction, especially issues that relate to the original

Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee

design intent. Given that Stacy & Witbeck, the [construction] contractor, already started work on August 22, 2005, it is therefore critical that Gannett Fleming be under contract to start providing the necessary construction support services by no later than mid-October 2005."

Recommendation: Approve the proposed resolution.

MTA STAFF REPORT FOR BOS RESOLUTION ON MUNI ENGINEERING SERVICE CONTRACT CS-116 AMENDMENT 10

INTRODUCTION

The Metro East Light Rail Vehicle Maintenance and Operations Facility ("Metro East") will provide storage and maintenance of light rail vehicles (LRVs) serving the new Third Street Light Rail Line. The facility will also improve Metro service by relieving the overcrowded conditions at Metro Green/Geneva Facility, Muni's only other maintenance and repair facility for LRVs (Metro Green/Geneva Facility at San Jose/Geneva Avenues which currently stores about 145 LRVs and about 35 Historic/PCCs). When completed, Metro East will serve about 80 LRVs.

BACKGROUND OF CONSULTANT CONTRACT CS-116

Given the technical complexities and uniqueness of the Metro East Project ("Project"), the Civil Service Commission by Resolution Log No. 4071-97/98 approved the use of outside engineering consultant (Contract CS-116) to provide the necessary professional and technical services required to execute the Project, including Phase I Conceptual Design Services, Phase II Detailed Design Services and Phase III Construction Support Services.

On May 26, 1998, the Public Transportation Commission ("PTC") adopted Resolution No. 98-047, which approved the award of Contract CS-116 to the Association of AGS and Gannett Fleming, Inc. as the Design Consultant to provide professional engineering services for the Metro East Project, with an initial term of five years.

Contract CS-116 is both a design service contract and a construction support service contract. The Contract provided for the Association to perform conceptual design services, detail design services and construction support services in three phases. The scope of services for each of the three phases, including the Construction Support Services Phase, were in fact made a part of the Contract, consistent with the original Request for Proposal; but the final negotiations on the exact costs and schedule of each of subsequent phases of work were to occur as the preceding phase drew to a close.

In accordance with resolutions of both the PTC and Civil Service Commission, Muni proceeded with utilizing the above consultant services by phases. Initial funding were limited to **Phase I** (Conceptual Design Services) for the Project, in the amount of \$1,526,126.

Upon completion of Phase I Conceptual Design and after the conclusion of final negotiations for Phase II work, on December 7, 1999, the PTC adopted Resolution No. 99-118, which authorized the General Manager to execute the First Amendment to the Contract with the Association to perform **Phase II** Detailed Design services for the Project, in the amount of \$6,348,250.

Phase II work has since been completed. Staff recently concluded negotiation with Gannet Fleming on Phase III costs. The execution of the proposed Tenth Amendment would allow for the Design Consultant to enter into **Phase III** and provide the necessary Construction Support Services throughout the approximate two and one-half years of construction duration for an amount not to exceed \$3,313,629.

During Phase II, the Metro East Project encountered various unexpected delays and changes, including changes to the project delivery method to increase opportunities for disadvantaged business enterprises. Consequently, amendments nos. 2 through 9 to the Contract were required to provide for the additional consultant support services, which included revising plans/specifications for various scope changes and

MTA STAFF REPORT FOR BOS RESOLUTION ON MUNI ENGINEERING SERVICE CONTRACT CS-116 AMENDMENT 10

packaging and repackaging of contract documents for bidding and re-bidding. In total, these amendments increased the contract amount by \$1,074,985 and extended the contract duration by two and half years.

On June 1, 2004, in the best interests and with the agreement of all parties involved, the Municipal Transportation Agency Board of Directors adopted Resolution No.04-083, which authorized the assignment of Contract No. CS-116 from the Association of AGS and Gannett Fleming, Inc. to Gannett Fleming, Inc. as the sole prime Design Consultant.

PRESENT PROJECT STATUS

On May 18, 2005, Municipal Transportation Agency received only one bid for the rebid of the construction of Metro East under Contract No. MR-1182R1. The sole bidder was Stacy and Witbeck, Inc. The bid price, at \$130.9 million for base contract work, was significantly more than the Agency's budget. Pursuant to Chapter 6 of the San Francisco Administrative Code and Federal Transit Administration ("FTA") contracting guidelines, staff subsequently negotiated with the sole bidder to reformulate the scope of the Project and reduce the bid price.

Muni negotiated with Stacy and Witbeck and reduced the bid price to \$120,000,000 and obtained a commitment to achieve a 26% Disadvantaged Business Enterprise (DBE contractor) participation goal on the construction contract MR-1182R1. On July 19, 2005, the MTAB adopted Resolution No. 05-121, which approved the award of the negotiated Metro East Facility construction contract MR-1182R1 to Stacy and Witbeck, Inc. in an amount not to exceed \$120,000,000.

Given the timing of negotiation and award of the Metro East construction contract, this Design Consultant Contract No. CS-116 was extended (under Amendment No. 9) to allow staff time to negotiate with the Design Consultant on a scope of services consistent with the negotiated modified scope of the construction contract. Meanwhile, in order to capitalize on the time remaining before the oncoming rainy season, Muni issued a Notice to Proceed to Stacy and Witbeck, Inc. to begin work on August 22, 2005.

AMENDMENT NO. 10 SCOPE

On any given construction project, it is customary and standard practice to have the original design team (Engineer of Record) continue to monitor the work and provide support services when the contractor is building. Muni believes it should be no exception with the Metro East Project, but even more so given the length of time and amount of effort that the Design Consultant expended on this Project during the design phases, having prepared the construction documents consisting of no less than three volumes of Drawings (numbering about 900 Drawings) and three volumes of Specifications (numbering more than 250 sections).

(Likewise, for the 10% to 15% of the design that was prepared by in-house City forces---DPW, Muni, DPT-- arrangements have been made for those designers to stay on to provide construction support services for the portion that they designed).

Under the negotiated Amendment No. 10, Gannett Fleming and its subconsultants will provide the following construction support services:

- Provide overall management and coordination of entire Metro East design team (\$441,420)
- Provide constant on-site support for the Muni Resident Engineer and Muni construction management team on technical matters, including reviewing and responding to Contractor's Request for Information and various submittals that can be readily expedited onsite so as to speed up the City's turn around time (\$647,882)

MTA STAFF REPORT FOR BOS RESOLUTION ON MUNI ENGINEERING SERVICE CONTRACT CS-116 AMENDMENT 10

- Provide geotechnical engineering support during various stages of excavation etc. (\$28,348)
- Review and respond to the Construction Contractor's requests for information (RFIs) and submittals requiring in-depth review beyond the review provided by consultant's on site personnel (e.g. shop drawings, product data, operations and maintenance manuals, etc. at a cost of about \$1,562,119)

It has been assessed that there will be more than 1,000 submittals alone for the Design Consultant to review.

The Design Consultant will have responsibility for RFIs, submittals, technical issues related to the following 15 disciplines: Geotechnical, Civil, Utilities, Landscaping, Interior Architectural, Structural, Track, Traction Power, Overhead Catenary, Train Signals, Communication, Mechanical (HVAC & Plumbing), Electrical, Special Systems and Shop Equipment.

- Perform site visits and witness factory testing/assembly as required (\$119,648)
- Evaluate and respond to contractor's proposed substitutions of products as required. (\$50,000)
- Evaluate and respond to contractor's proposed value engineering solutions on construction details, etc. as required. (\$50,000)
- Assist Muni staff in the safety certification process for the start up of facility as required.(\$50,000)
- Provide cost estimate services as required (\$100,000)
- Provide design drawings/specifications for owner or contractor-initiated changes as required. (\$175,000)
- Reimbursable services (travel costs related to off site inspections, reproduction of drawings, etc.) (\$89,212)

COST

The negotiated cost for the construction support services to be provided by the Gannett Fleming team is a not-to-exceed amount of \$3,313,629. The amount is within the typical range of cost for technical support services during construction. The typical range is about 2% to 4% (depending on complexity) of the total construction cost, which in this case is \$120 million.

The Metro East Project has more than \$11 million budgeted for construction management and various support services for the construction phase to ensure that the construction does proceed smoothly. The construction support to be provided by Gannett Fleming makes up only part of the total construction management/support effort. City staff will assume the greater role and share of construction management/support. But staff believes the services to be rendered by Gannett Fleming will nonetheless be equally vital to the success of the project, i.e. \$3.3 million to be spent on technical support services upfront to resolve questions, issues, etc. will go a long ways to prevent or minimize claims and delays that could later be much more costly given the size and complexity of the Project.

Muni will require construction support services from the Gannett Fleming team for the entire two and one-half years construction phase.

CIVIL SERVICE

Muni had in fact considered the option of using in-house forces to provide the above Construction Support Services but concluded the option to be infeasible. For example, DPW stated that 1) assuming and taking over the responsibilities of a consultant designer now will expose the City to unnecessary

MTA STAFF REPORT FOR BOS RESOLUTION ON MUNI ENGINEERING SERVICE CONTRACT CS-116 AMENDMENT 10

liability; 2) City staff will not be nearly as cost effective in providing the same services because the Gannett Fleming team has intimate knowledge of its own original design and can best ease into the construction support role; and 3) City staff is already busy involved in providing the larger share of support during construction---construction management and inspection services for the entire project during construction.

Besides corresponding with City engineering departments, staff has also met with union representative on the subject.

Under the rules of the Civil Service Commission, the proposed Amendment must also be approved by the Civil Service Commission.

DBEs

The following DBEs are part of the Gannett Fleming team to provide Phase III Construction Support Services:

- AGS, Inc.
- Cordoba Corporation
- Michael Willis Architects
- Orsee Design Associates

The Muni Contract Compliance Office has reviewed the proposed Amendment 10 to Contract CS-116. The Contract Compliance Office has received documentation indicating the prime Design Consultant will be able to fulfill its commitment to maintain the integrity of the 40 percent DBE goal established for the Contract CS-116 when all three phases of work (Conceptual Design, Detailed Design, Construction Support) are taken into account.

PREVIOUS BOARD ACTION

On September 6, 2005, the MTA Board of Directors adopted Resolution No. 5-141 authorizing the Director of Transportation to execute the proposed Tenth Amendment to the Contract CS-116, subject to the approval of the Civil Service Commission and Board of Supervisors.

Under S.F. Charter section 9.118, the Board of Supervisors must approve the proposed Amendment because the value of the Contract as amended exceeds \$10,000,000

RECOMMENDATION

In accordance with industry practice, and to provide a more cost-effective and efficient construction process, it is important that the Design Consultant be under contract to the City to provide technical assistance, guidance and reviews as to various design related issues that will arise during construction, especially issues that relate to the original design intent. Given that Stacy & Witbeck, the contractor, already started work on August 22, 2005, it is therefore critical that Gannett Fleming be under contract to start providing the necessary construction support services by no later than mid-October 2005.

Staff recommends approval of the Resolution, which authorizes execution of Amendment No. 10 to Contract No. CS-116 with Gannett Fleming, Inc., to increase the contract amount by \$3,313,629 for a total contract amount not to exceed \$12,262,990, and to extend the Contract by two and one-half years for a total contract term of ten years.

**MTA STAFF REPORT FOR BOS RESOLUTION
ON MUNI ENGINEERING SERVICE CONTRACT CS-116 AMENDMENT 10**

Funding for the Metro East Project is from a combination of sources, including local Proposition K sales tax revenue, state and federal grants. Funding for Contract CS-116 is being allocated under Famis index code 35CPT5221331.

The City Attorney's Office has reviewed and has approved the proposed Amendment as to form.

The above report was prepared MTA Project Manager, Mr. John Fong

EVALUATORS' NAMES CONFIDENTIAL

(97-732) RFP CS-116: METRO EAST LIGHT RAIL MAINTENANCE & OPERATIONS FACILITY

MAXIMUM POINTS: 100

SHORT LIST DATES: November 13, 1997 and
November 19, 1997

	CB	DD	JF	AH	PL	RO	KS	TOTAL	RANKING
PBQ&D/ICF KAISER	90	90	83	92	89	85	95	624	1
AGS, INC./ GANNETT FLEMING	82	84	78	86	82	65	90	567	2
DMJM	44	64	48	55	58	30	60	359	3
LS TRANSIT SYSTEMS, INC.	44	58	53	50	44	35	65	349	4

EVALUATORS' NAMES CONFIDENTIAL

ALL FIRMS WILL MEET THE AFFIRMATIVE ACTION AND DBE REQUIREMENTS

Attachment 1

EVALUATORS' NAMES CONFIDENTIAL

(97-732) RFP CS-116: Metro East Light Rail Maintenance And Operations Facility

MAXIMUM 100 POINTS

INTERVIEWS DECEMBER 8, 1997

	CB	DD	JF	DH	PL	RO	KS	TOTAL	RANK
AGS / GANNETT FLEMING, A J.V.	93	94	92	85	99	84	95	642	1
PARSONS BRINCKERHOFF QUADE AND DOUGLAS	71	79	82	78	86	60	83	539	2

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ALL FIRMS WILL MEET THE AFFIRMATIVE ACTION AND DBE REQUIREMENTS

EVALUATORS' NAMES CONFIDENTIAL

Attachment 1

**Chart of Original Contract and Amendments to the Contract between
The Municipal Transportation Agency and
Gannett Fleming, Inc. for
Design and Construction Support Services for Muni Metro East Light Rail Vehicle
Maintenance and Operations Facility
Contract No. CS-116**

Action	Date	Amount
Award of Original Contract For professional engineering and construction support services for the Muni Metro East Light Rail Vehicle Maintenance and Operations Facility Project; for Phase I – Conceptual Design Services for the Project.	May 26, 1998	\$1,526,126
AMENDMENTS		
Amendment No. 1 To execute Phase II – Detailed Design Services	December 7, 1999	\$6,348,250
Amendment No. 2 Adding additional Detailed Design work to the scope of work	June 13, 2001	\$109,998
Amendment No. 3 To design reductions to the project scope and to repackage plans and specifications for rebid	March 19, 2002	\$294,219
Amendment No. 4 To compensate for additional work on various scope changes	June 18, 2002	\$413,522
Amendment No. 5 Originally to compensate for creating contract documents on the advanced Metro East Illinois Street utilities installation work for incorporation into the Department of Public Work's Illinois Street Reconstruction Project. Later City staff performed the work and this Amendment never came into effect; hence zero cost.	November 5, 2002	\$0
Amendment No. 6 Extend contract for six months to allow consultant to assist the MTA in responding to Requests for Information from potential bidders during the solicitation of candidates for Muni Contract No. MR-1182R, for the Construction Manager/ General Manager for the Metro East construction contract	July 1, 2003	\$0
Amendment No. 7 To extend the contract by six months to allow time for Gannett and the MTA to negotiate the scope and cost for construction support services related to the anticipated Contract MR-1182R	January 6, 2004	\$0
Amendment No. 8 To extend the contract by one year to support the anticipated bidding and award phase of major subcontracts under Contract MR-1182R	June 1, 2004	\$257,246
Amendment No. 9 To extend the contract by six months to allow time for MTA and Gannett to negotiate the scope and cost for construction support services consistent with the new negotiated Contract MR-1182R1	July 19, 2005	\$0
Amendments Subtotal		\$7,423,235
TOTAL		\$8,949,361

Item 8 - File 05-1635

Department: Controller

Item: Resolution establishing the City and County's Appropriations Limit for FY 2005-2006 pursuant to Article XIII B of the California Constitution.

Description: The proposed resolution would establish \$1,998,246,400 as the FY 2005-2006 adjusted Appropriations Limit for the City and County of San Francisco as required by Article XIII B of the California Constitution.

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the growth of appropriations from the proceeds of taxes of the State of California and local governments to the percentage change in population for the local governmental entity and the percentage change in the cost of living. The California Government Code requires that each local government establish its Appropriations Limit by resolution each year.

State Proposition 111, approved by the voters in June 1990, made several changes to Article XIII B (9) which are reflected in the City's computations. First, Proposition 111 redefined *change in the cost of living* as follows:

"Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing body.

According to the State Department of Finance, the percentage change in California per capita personal income as of January of 2005 as compared to January of 2004 results in a 5.26 percent increase. The Assessor's Office advises that the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local

Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

nonresidential new construction is 0.42 percent for FY 2004-2005 compared to FY 2003-2004. The proposed resolution specifies that the Appropriations Limit calculations pursuant to Article XIII B shall use the percentage change in cost of living as measured by the change in California per capita personal income as the measure of "*change in the cost of living*", rather than the percentage change in the local assessment role due to non-residential new construction from the previous year because the use of the change in the local assessment role would have resulted in a lower Appropriations Limit calculation.

Article XIII B permits an exclusion from appropriations subject to limitation for Voter-Approved indebtedness funded from the proceeds of taxes. Such Voter-Approved indebtedness funded from the proceeds of taxes for FY 2005-2006 totals \$136,966,074 according to the Controller.

Article XIII B as amended by Proposition 111 also states that appropriations subject to limitation do not include "*appropriations required to comply with mandates of the Courts or the Federal Government.*" In that regard, the Controller has identified that, for FY 2005-2006, \$44,350,358 will be expended by the City departments for costs related to toxic remediation required by the Federal Resource Conservation Act.

Article XIII B (9), as amended by Proposition 111, also permits an adjustment to exclude appropriations for "*Qualified Capital Outlay as defined by the legislature*" from proceeds of taxes. This results in a reduction of \$5,204,830 for FY 2005-2006, from appropriations of proceeds of taxes subject to the limit for Capital Outlay.

Governmental Code Section 7901(1)(2), also states that appropriations subject to limitation do not include appropriations for the "*hazardous waste program*". In that regard, the Controller has identified that, for FY 2005-2006, \$2,913,265 will be expended for costs related to the hazardous waste program.

Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

The Controller has computed the FY 2005-2006 Appropriations Limit for the City and County of San Francisco as shown below:

FY 2004-2005 Gross Appropriations Limit \$1,881,644,397

Adjusted by:

Increase in Cost of Living 5.26%

Increase in Population 0.89%

FY 2005-2006 Net Appropriations Limit \$1,998,246,400*

*1.0526 times 1.0089 equals 1.061968 times \$1,881,644,397.

The Controller's Office monitors revenues subject to the Appropriations Limit throughout each fiscal year. At year-end, as part of the annual financial audit, a final computation is prepared comparing actual proceeds of taxes to the Appropriations Limit. At the time, two tests must be met; first, all actual proceeds of taxes must be below the Appropriations Limit; and second, all actual proceeds of taxes collected must be appropriated. If either test is not met, according to Article XIII B, excess revenues collected must be returned to the taxpayers within two years.

As calculated by the Controller, the amount appropriated in the City's FY 2005-2006 budget that is subject to the Appropriations Limit is \$1,650,579,877 which is \$347,666,523 less than the net FY 2005-2006 Appropriations Limit of \$1,998,246,400. In accordance with the Administrative Provisions of the Annual Appropriation Ordinance, any FY 2005-2006 tax proceeds in excess of current estimates will be appropriated to the City's General Fund General Reserve, which is used as a revenue source (a) to fund supplemental appropriations during the current fiscal year, and (b) to fund the City's budget for the next fiscal year.

Recommendation: Approve the proposed resolution.

Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

Item 9 - File 05-1642

Department: Controller

Item: Resolution authorizing the Teeter Plan Property Tax Allocation provision concerning the City's establishment of a Tax Loss Reserve Fund to be governed by California Revenue and Taxation Code Section 4703.2 at 25% of the total delinquent secured taxes for the fiscal year ending June 30, 2005 and June 30, 2006.

Description: 1. Under State of California Revenue and Taxation Code Section 4701 and the following related sections (referred to as the "Teeter Plan"; see Comment 1), a County is required to fund a "Tax Losses Reserve Fund" using one of the following two methods: a) the County may establish a Tax Losses Reserve Fund equal to one percent of the total secured Property Tax levy; or b) the County may establish a Tax Losses Reserve Fund at the level of 25 percent of current secured Property Tax delinquencies. At the completion of each Fiscal Year, when actual secured Property Tax delinquencies are known, the Tax Losses Reserve Fund requirements are evaluated by the Controller in order to determine which method of setting the Tax Losses Reserve Fund results in a lower reserve amount, thus maximizing the amount of secured Property Tax revenues available to the City. If the City wishes to change its method of setting the required tax loss reserve for any fiscal year, it must do so by resolution approved by the Board of Supervisors prior to October 31 of the next fiscal year. The purpose of establishing a Tax Losses Reserve Fund is to provide funding for potential losses from the City's sale of real property due to delinquent Property Taxes in the event such a sale does not result in sufficient revenue to cover the amount of the Property Tax delinquency.

2. Since FY 2002-2003, the City and County of San Francisco has established its Tax Losses Reserve Fund at 25 percent of current secured Property Tax delinquencies (Resolution 03-1601). However, based on preliminary estimates by the Controller, Section 12.3 of the Administrative Provisions of the FY 2005-2006 Annual Appropriation Ordinance (Ordinance 02-03-05) as previously approved by the Board of Supervisors, established the Tax

Losses Reserve Fund at one percent of the total secured Property Tax levy instead of 25 percent of current secured property tax delinquencies.

As shown in the Attachment to this report provided by the Controller's Office, based on the current total secured Property Tax levy for FY 2004-2005, the Controller calculates that the required Tax Losses Reserve Fund based on one percent of the total secured Property Tax levy would be \$11,276,690. By changing to the alternative method, at 25 percent of current secured Property Tax delinquencies, which the Controller is now recommending instead of one percent of the total secured Property Tax levy, the required Tax Loss Reserve would be \$10,076,121 as shown in the Attachment, or \$1,200,569 less than the \$11,276,690 required under the one percent of the total Property Tax levy method. According to Ms. Monique Zmuda, Deputy Controller, if the proposed resolution is approved, the savings of \$1,200,569 would be added to the final yearend General Fund balance for FY 2004-2005.

Approval of this proposed resolution by October 31, 2005 (as required by the State of California Revenue and Taxation Code) would replace the Tax Losses Reserve Fund method specified in Section 12.3 of the Administrative Provisions of the FY 2005-2006 Annual Appropriation Ordinance, as previously approved by the Board of Supervisors.

Comments:

1. The Board of Supervisors previously adopted the Teeter Plan in October, 1993 (File 303-93-1). Under the Teeter Plan, the City and County now purchases delinquent Property Tax accounts receivable from the other agencies which are owed the delinquent Property Taxes. These other agencies which receive San Francisco Property Tax Revenues include the San Francisco Unified School District, the San Francisco Community College District, BART, the Bay Area Air Quality Management District, the Open Space Fund, the Children's Fund, and the Library Preservation Fund. Instead of withholding each of these other agency's share of delinquent Property Taxes, the City purchases the delinquent Property Tax receivables by paying 100 percent of the delinquent amounts owed to these other agencies. When the delinquent Property Taxes are collected from the owners of the applicable secured properties, or through the sale by

the City of property having delinquent Property Taxes owed to the City, the City receives the principal amount of such delinquent Property Tax revenues plus interest payments due on the delinquent Property Taxes, currently imposed at 18 percent annually and the penalties assessed on such delinquencies, currently charged at the one-time rate of ten percent.

2. As previously noted, under the Teeter Plan, the City and County now purchases delinquent Property Tax accounts receivable from seven agencies, the San Francisco Unified School District, the San Francisco Community College District, BART, the Bay Area Air Quality Management District, the Open Space Fund, the Children's Fund, and the Library Preservation Fund. This decision to purchase delinquent Property Tax account receivables from these agencies, by paying 100 percent of the delinquent Property Taxes owed to these agencies, was recommended by the Controller based on his estimate the a net annual revenue benefit would accrue to the General Fund in the amount of \$1,500,000. The estimated amount of \$1,500,000 annually represents the interest and penalties that would accrue to the General Fund rather than being paid to the seven agencies noted above.

3. According to Ms. Zmuda, the Controller is currently preparing an analysis of the current net revenue benefit to the General Fund of the Teeter Plan based on Fiscal Year 2004-2005. The net benefit will be assumed in the City's year end close, and will be included in the City's FY 2004-2005 Comprehensive Annual Financial Report issued in November of 2005. Controller Ed Harrington states that the Controller will provide the FY 2004-2005 estimated revenue benefit due to the City's General Fund, which has been realized as a direct result of purchasing delinquent Property Tax accounts receivable from the seven agencies. Mr. Harrington has stated that he will provide this data to the Finance and Audits Committee at its meeting of October 13, 2005.

Recommendation: Approve the proposed resolution.

Tax Loss Reserve

ALTERNATIVE #1: 1% of Tax Levy & Assessments		FY 2004-05 Tax Year 2004
NAV (Secured, plus Escapes)		\$ 98,572,462,072
X Property Tax Rate for Secured Property		1.1440%
Total Secured & Escape Levy - Actual		\$ 1,127,668,966
Assessments Not included in CCSF Teeter - Excluded		
Total Levy on which the 1% is applied...		\$ 1,127,668,966
Tax Loss Reserve Required @ 1% of Levy (R&T Sec. 4703)		\$ 11,276,690
Actual Tax Loss Reserve (7A_TAX_PTF) from PY		\$ 8,926,496
Surplus / (Shortfall) from Required Reserve Level		\$ (2,350,194)

ALTERNATIVE #2: 25% of Delinquencies [2]		Actual
Delinquencies on Secured Taxes*		\$ 40,304,483
TLR Reserve (25% of Delinquencies) (R& T Sec. 4703.2)		25.0%
Tax Loss Reserve Required @ 0.25% of Delinquencies		\$ 10,076,121
Actual Tax Loss Reserve (7A_TAX_PTF) from PY		\$ 8,926,495
Surplus / (Shortfall) from Required Reserve Level		\$ (1,149,626)

Alternative #2 Results in a Lower Cost / (Higher Cost) Reserve	\$ 1,200,569
	Alt #2 Results in a
	Lower Reserve
	Level
Method Actually Used in FYE	Alt #2 Used

NOTES

[1] The Tax Loss Reserve is in 7A_TAX_PTF, G/L 219, Index Code TTX7ATAXPTF, Subsidian
Actual Tax Loss Reserve @ YEClose (7A_TAX_PTF) [1] **\$ 10,076,121**

[2] Delinquencies are based on the Year-End Report generated by the TTX (late July or early A

Property Tax Delinquencies

Secured Current Year (CY)	18.7%	\$ 12,316,296
Secured Prior Year (PY)	23.2%	\$ 15,249,292
Escape (Secured)	4.1%	\$ 2,716,874
5-Year Plan (Secured)	15.2%	\$ 10,022,021
* Subtotal for Teeter Delinquency	61.3%	\$ 40,304,483
Unsecured	3.1%	\$ 2,033,891
Supplemental Secured CY	12.7%	\$ 8,332,981
Supplemental Secured PY	8.9%	\$ 5,834,601
Supplemental Unsecured CY	0.9%	\$ 598,250
Supplemental Unsecured PY	13.1%	\$ 8,622,305
Total Delinquencies	100.0%	\$ 65,726,511

Item 10 - File 05-1599

Department: Department of Administrative Services, Office of Contract Administration, Purchasing Division

Item: Resolution designating the San Francisco Chronicle and Examiner to be the official newspapers of the City and County of San Francisco for the category of Type 1 consecutive day, and Type 2 non-consecutive day official advertising services for the fiscal year commencing upon Board of Supervisors and Mayoral approval and ending June 30, 2006.

Description: Proposition J, which was approved by the San Francisco electorate in November of 1994, in part, changed the criteria by which the City selects a newspaper to publish the City's official advertising. The Purchasing Division advises that, under Proposition J, pursuant to Section 2.81 of the Administrative Code, several criteria are considered and used to evaluate bids, on the basis of a point system. Bidders are required to submit typeset samples and other documentation for evaluation purposes. The criteria used for evaluation of bids under Section 2.81 includes (1) the cost of advertising in each newspaper (the newspaper which bids the lowest price for advertising receives additional points), the level of circulation of each newspaper (the newspaper with the largest circulation receives additional points), (2) the cost of the newspaper (any newspaper with a majority of circulation that is free of charge to the general public receives additional points), and (3) the ownership of the newspaper (newspapers which are owned by local, minority or women-owned firms receive additional points). In addition, bidders must comply with all contracting requirements under the City's Charter and the Administrative Code, according to Mr. Mike Ward, Assistant Director of Purchasing for the Office of Contract Administration.

The City's official advertising is divided into two categories, Type 1 and Type 2, as follows:

Type 1 – Advertisements for Two or More Consecutive Days: Official advertising which must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with Sections 2.103 and 2.108 of the Charter, and in accordance with Section 2.81 of the San Francisco Administrative Code, for special meetings of the Board of Supervisors and its standing or special committees. The City's official newspaper¹ must publish at least 5 consecutive days a week for Type 1 official advertising.

Type 2 – Advertisements for Single or Non-consecutive Days: Type 2 official advertising, in accordance with Sections 2.103 and 2.108 of the Charter, and in accordance with Section 2.81 of the San Francisco Administrative Code, is required to be published one time (other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees) or more than one time but not more than three times per week for a specified number of weeks. The official newspaper must be printed in the City at least 3 days in a calendar week for Type 2 official advertising. Such days do not need to be consecutive days.

The proposed resolution designates the San Francisco Chronicle and Examiner² as the City's official newspapers for Type 1 and Type 2 official advertising for FY 2005-2006, and authorizes the Purchasing Division to enter into a contract with the San Francisco Chronicle and Examiner to provide Type 1 and Type 2 official advertising.

Comments:

1. According to Mr. Mike Ward, of the Purchasing Division, the City's contract for Type 1 official advertising with the San Francisco Chronicle, as

¹ The Official Newspaper is defined as "a newspaper of general circulation published for the dissemination of local or telegraphic news and intelligence of general character, which has a bona fide circulation of at least 50,000 copies per calendar week and which is printed in the City and County on three or more days in a calendar week."

² At the time of the Bid Opening Date of May 20, 2005, the Examiner was involved in the purchase of The Independent Newspaper. According to Mr. Ward, the name for the combined newspaper is the Examiner.

previously approved by the Board of Supervisors, began on July 1, 2004 and expired on June 30, 2005. Mr. Ward states that the San Francisco Chronicle has been providing Type 1 official advertising under a contract extended on a month-to-month basis since July 1, 2005 because the Board of Supervisors has not yet designated a newspaper to be the City's official newspaper for Type 1 consecutive day official advertising in FY 2005-2006.

2. The San Francisco Chronicle was designated by the Board of Supervisors to be the City's Type 2 official advertising newspaper on December 1, 2004 and the contract with the Chronicle expired on June 30, 2005. Mr. Ward states that the San Francisco Chronicle has been providing Type 2 official advertising under a contract extended on a month-to-month basis since July 1, 2005.

3. According to Mr. Ward, in response to the City's Invitation for Bids for FY 2005-2006, the Examiner/Independent³ and the San Francisco Chronicle submitted bids for Type 1 and Type 2 official advertising. The Attachment provided by the Purchasing Division contains bid data and point calculation information showing that the Examiner/Independent received the highest score of 28.37 points for Type 1 and the highest score of 30.0 points for Type 2. However, Mr. Ward advises that both the Examiner/Independent and the San Francisco Chronicle submitted non-responsive bids for Type 1 and Type 2 advertising due to the inability to verify circulation⁴ for the San Francisco Chronicle and frequency of publication⁵ for the Examiner/Independent.

³ At the time of the submittal of the bids, the name of the combined newspaper the Examiner was not yet established and the bid was submitted under the name Examiner/Independent.

⁴ To determine circulation of at least 50,000 per week, the bidders are required to submit an audit verifying their circulation. Such an audit must have been completed no later than six months prior to the bid opening date of May 20, 2005. The Chronicle submitted an audit that was completed on September 30, 2003 and so was considered non-responsive on this requirement.

⁵ To determine that the newspaper is printed on a regular basis, the bidders are required to submit four previous printed weekly newspapers. The Examiner/Independent only

4. Mr. Ward estimates that the costs to the City for official advertising for FY 2005-2006 will be as follows:

<u>Advertising</u>	<u>Examiner/ Independent</u>	<u>San Francisco Chronicle</u>
Type 1	\$ 69,406.34	\$ 78,082.13
Type 2	\$421,781.18	\$474,503.83
Total:	\$491,187.52	\$552,585.96

These estimated costs are based on the cost per line of typeset and the estimated volume of Type 1 and Type 2 official advertising.

5. As shown in the Attachment, the cost per line of typeset to be charged by the Examiner/Independent (Examiner) in FY 2005-2006 for both Type 1 and Type 2 official advertising would be \$4.00.⁶ The cost per line of typeset to be charged by the San Francisco Chronicle for both Type 1 and Type 2 official advertising would be \$4.50, which is the same as the \$4.50 cost per line of typeset charged to the City by the San Francisco Chronicle in FY 2004-2005.

6. As stated on page 2 of the Attachment, because no responsive bids were received to the City's Invitation To Bid for both Type 1 and Type 2 advertising, the Purchasing Division has not made a recommendation to the Board of Supervisors to designate any newspaper to serve as the City's designated newspaper for Type 1 and Type 2 official advertising. However, at the request of the Budget and Finance Committee, the Purchaser has included both the San Francisco Chronicle and Examiner to be the City's designated official newspapers, in the proposed resolution for both Type 1 and Type 2 advertising.

submitted one previous weekly newspaper and, so, was considered non-responsive as to the requirement of frequency of circulation.

⁶ The City does not have a contract for Type 1 or Type 2 advertising with the San Francisco Examiner for Fiscal Year 2004-2005. Therefore, a comparison of the FY 2004-2005 rates and the rates to be charged in FY 2005-2006 cannot be made.

Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.



Gavin Newsom
Mayor

Attachment
Page 1 of 4

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
Naomi Little
Director
Purchasing

September 23, 2005

RL

File 051599

To: Gloria L. Young
Clerk of the Board
San Francisco Board of Supervisors

From: *Naomi Little FOR*
Naomi Little
Director and Purchaser
Office of Contract Administration

Subject: Official Advertising Contracts, FY2005-2006

I am pleased to forward to the Board of Supervisors this report regarding the official advertising contracts for fiscal year 2005-2006. The report includes bid evaluations, estimated costs, the Purchaser's recommendation to the Board and the resolution proposed for official advertising.

Sections 2.81 of the Administrative Code, directs the Purchaser to each year (1) invite sealed proposals for the purpose of selecting official newspapers; (2) evaluate each proposal according to the point system prescribed in the Code; (3) report to the Board of Supervisors the point totals of any and all proposals received; and (4) make its recommendation to the Board.

The Administrative Code also mandates that in each year the Board shall by resolution designate the official advertising newspapers of the City and County of San Francisco.

Official Advertising

A. Official Advertising

Administrative Code, Section 2.81(a), specifies two types of official advertising:

Official Advertising for Consecutive Day Publication (Type 1)

This is advertising required by law to be published two or more consecutive days and all advertising required in accordance with the provisions of Sections 2.103 or 2.108* of the Charter for special meetings of the Board of Supervisors and its standing or special committees.

Official Advertising for Non-Consecutive Day Publication (Type 2)

This is advertising required by law to be published one time, other than the provisions of Sections 2.103 or 2.108* of the Charter, as they relate to special meetings of the Board of Supervisors and its standing or special committees and advertising required by law to be published more than one time, but not more than three times a week for a specified number of weeks.

Letter to Gloria Young
September 23, 2005
Page 2

* Section 2.81, Official Newspaper(s) – Designation, of the Administrative Code references Charter Sections 2.200 and 2.201. Those Charter Sections have been renumbered as Sections 2.103 and 2.108 respectively.

Purchaser's Recommendation: Official Advertising

Type 1 - Consecutive Day Publication

The Purchaser has no recommendation for type 1 advertising because no responsive bids were received in response to the City's invitation to bid. The Purchaser received bids from both the Examiner/Independent and Chronicle; however these bids are not responsive. See Exhibit A, containing the bid evaluation, reasons for non-responsiveness and cost comparison.

Type 2 - Non-consecutive Day Publication

The Purchaser has no recommendation for type 2 advertising because no responsive bids were received in response to the City's invitation to bid. The Purchaser received bids from both the Examiner/Independent and the Chronicle, however these bids are not response. See Exhibit B, containing the bid evaluation, reasons for non responsiveness and cost comparison.

The Purchaser respectfully requests the Board's directive with regards to designation of the City's official newspapers for both Type 1 and Type 2 advertising. At the Finance committees' direction the resolution for both type 1 and type 2 the Purchaser has included both the Chronicle and Examiner as the official newspaper.

The Office of Contract Administration looks forward to working in cooperation with the Board in the designation and implementation of these contracts.

Exhibits: A--Bid Evaluation: Type 1 Advertising
 B--Bid Evaluation: Type 2 Advertising

Bid Evaluation
Contract No. 95430
For Official Advertising
Type I Consecutive Day

Exhibit A

Evaluation Factors: (Points)	**Examiner/Independent	S.F. Chronicle
Advertising Price	15.00	13.33
Circulation (home delivery)	8.37	10.00
Newsstand Price	5.00	0
Proposition J Preference:	0	0
locally owned/operated	0	0
minority ownership	0	0
woman ownership	0	0
Chapter 12 Preference	0	0
Total Points	28.37	23.33
Bid Price Per Line FY2005-06	\$4.00	\$4.50
Contract Price FY 2004-05	no contract	\$4.50
Estimated Cost FY2005-06	\$69,406.34	\$78,082.13
Estimated Cost FY2004-05	no contract	\$78,082.13
Weekly Circulation		
home deliveries	383,605	458,237
total circulation	1,253,828	3,621,292
Bid Status	Non-responsive: <ul style="list-style-type: none"> Only one sample of Examiner & one of Independent newspaper submitted as newspaper sample requirements. Bid document requires one sample of each newspaper issues published during the last four weeks prior to bid opening date. 	Non-responsive: <ul style="list-style-type: none"> Home Delivery and total circulation from audit report dated 9/30/03. Audit report not within 6 months of bid as required in bid New Audit report was submitted after bid closing date

**The Examiner/Independent are merging into one newspaper during August 2005. Currently the Examiner is printed Monday through Friday and the Independent on Saturday. Starting in August only the Examiner will be printed Monday through Saturday.

Bid Evaluation
Contract No. 95430
For Official Advertising
Type II – Non Consecutive Day

Exhibit B

Evaluation Factors: (Points)	**Examiner/Independent	S.F. Chronicle
Advertising Price	15.00	13.33
Circulation (home delivery)	10.00	9.74
Newsstand Price	5.00	0
Proposition J Preference:		
locally owned/operated	0	0
minority ownership	0	0
woman ownership	0	0
Chapter 12 Preference	0	0
Total Points	30.00	23.07
Bid Price Per Line FY2005-06	\$4.00	\$4.50
Contract Price FY 2004-05	No contract	\$4.50
Estimated Cost FY2005-06	\$421,781.18	\$474,503.83
Estimated Cost FY2004-05	No Contract	\$474,503.83
Weekly Circulation (S.F. only)		
home deliveries	210,472 (Three day circulation) (Tuesday, Thursday & Saturday)	204,961 (Three day circulation) (Sunday, Wednesday & Friday)
total circulation	1,253,828	3,621,292
Bid Status	<p>Non-responsive:</p> <ul style="list-style-type: none"> Only one sample of Examiner & one of Independent newspaper submitted as newspaper sample requirements. Bid document requires one sample of each newspaper issues published during the last four weeks prior to bid opening date. 	<p>Non-responsive:</p> <ul style="list-style-type: none"> Did not bid same price for all days indicated for in proposal for advertising, Sunday price is \$4.95, Wednesday & Friday price is \$4.50 Audit report was not within 6 months of bid as required in bid New Audit report was submitted after bid closing date

** The Examiner/Independent are merging into one newspaper during August 2005. Currently the Examiner is printed Monday through Friday and the Independent on Saturday. Starting in August only the Examiner will be printed Monday through Saturday.

Memo to Budget and Finance Committee
October 13, 2005 Budget and Finance Committee Meeting

Item 11 - File 05-1400

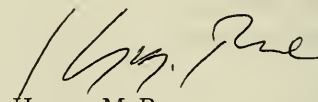
Note: This item was continued by the Budget and Finance Committee at its meeting of September 29, 2005.

Department: Recreation and Park Department (RPD)

Item: Ordinance making environmental findings and amending the San Francisco Park Code, Article 12, by amending Section 12.12 to increase golf course fees at the City-owned Harding Park and Fleming Golf Courses.

Comment: Inadvertently, the Department was not previously aware that the proposed golf fee increases contained in this ordinance were previously approved by the Board of Supervisors.

Recommendation: Table the proposed ordinance.


Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Mirkarimi
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Daly
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Sandoval
Clerk of the Board
Controller
Noelle Simmons
Ted Lakey
Cheryl Adams



City and County of San Francisco

Meeting Agenda

Budget and Finance Committee

Members: Tom Ammiano, Ross Mirkarimi, Sean Elsbernd

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Thursday, October 20, 2005

1:00 PM

City Hall, Room 263

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:

- 1) Legislation
- 2) Budget Analyst report
- 3) Legislative Analyst report
- 4) Department or Agency cover letter and/or report
- 5) Public correspondence

These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

DOCUMENTS DEPT.

AGENDA CHANGES

OCT 17 2005

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REGULAR AGENDA

1. 051748 [Providing for adjustment of medical cannabis dispensary application fee and annual license fee based on changes in CPI]

Supervisor Mirkarimi

Ordinance amending the San Francisco Health Code to amend Section 3204 to provide for adjustments of the application fee for medical cannabis dispensary permits based on changes to the consumer price index and amending the Business and Tax Regulations Code to amend Section 249.17 to provide for adjustments in the medical cannabis dispensaries annual license fees based on changes to the consumer price index.

10/6/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

10/6/05, CONTINUED TO CALL OF THE CHAIR. Divided from File No. 051250.

2. **051460 [Subdivision Code fees]**
 Supervisor Dufty
 Ordinance amending the Subdivision Code section 1315 to adopt new fees for air space maps, lot subdivisions, condominium conversions, parcel maps, lot merger and resubdivision maps, amended maps, lot line adjustments, lot mergers, certificates of compliance, certificates of correction, records of survey, and other mapping actions and to provide for an annual adjustment of such fees based on the relevant consumer price index; and making environmental findings.
- 8/16/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.
 9/27/05, SUBSTITUTED. Supervisor Dufty submitted a substitute ordinance bearing new title.
 9/27/05, ASSIGNED to Budget and Finance Committee.
 10/6/05, CONTINUED. Speakers: None. Continued to October 20, 2005.
3. **051461 [Survey Monument Preservation Fee and Fund]**
 Supervisor Dufty
 Ordinance amending the San Francisco Administrative Code by adding Section 8.24-6, to authorize the imposition of a \$10 grant deed recordation user fee and by adding Section 10.100-50, to create the County Surveyor's Survey Monument Preservation Fund for the deposit and collection of the fee for use by the County Surveyor for the retracement or remonument survey of major historical vertical or horizontal land division lines; amending the San Francisco Subdivision Code by adding Section 1340.1, to authorize the County Surveyor to use the proceeds collected from imposition of the fee to pay for the retracement or remonument survey of major historical vertical or horizontal land division lines; and making environmental findings.
- 8/16/05, ASSIGNED UNDER 30 DAY RULE to Budget and Finance Committee, expires on 9/15/2005.
 10/6/05, CONTINUED. Speakers: None. Continued to October 20, 2005.
4. **051585 [Acceptance of Subsurface Easement at 2-4 Winfield Street]**
 Resolution authorizing the acceptance of a permanent subsurface easement at 2-4 Winfield Street, Assessor's Block 5661, Lot 001 for tie-back rods connected to a City-constructed retaining wall. (Real Estate Department)
- 9/22/05, RECEIVED AND ASSIGNED to Budget and Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Budget and Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30 day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agendas are available on the internet at www.sfgov.org/site/bdsupvrs_index.asp?id=4383

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language interpreters at a meeting must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Madeleine Licavoli at (415) 554-7722.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

**翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701**

Disability Access

The Legislative Chamber (Room 250) and the Committee Room (Room 263) in City Hall are wheelchair accessible.

Meetings are real-time captioned and are cablecast open-captioned on SF Cable 26. Assistive listening devices for the Legislative Chamber are available upon request at the Clerk of the Board's Office, Room 244. Assistive listening devices for the Committee Room are available upon request at the Clerk of the Board's Office, Room 244 or in the Committee Room. To request sign language interpreters, readers, large print agendas or other accommodations, please contact Madeleine Licavoli at (415) 554-7722 or (415) 554-5227 (TTY). Requests made at least 48 hours in advance of the meeting will help to ensure availability.

The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center or Van Ness Stations). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/Noriega. For more information about MUNI accessible services, call (415) 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Dr. Carlton B. Goodlett Place and Grove Street.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at sof@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

BUDGET AND FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 13, 2005

TO: Budget and Finance Committee

FROM: Budget Analyst

SUBJECT: October 20, 2005 Budget and Finance Committee Meeting

Item 1 - File 05-1748

DOCUMENTS DEPT.

Departments: Department of Public Health
Treasurer/Tax Collector
Controller

OCT 21 2005

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Item: Ordinance amending (a) Section 3204 of the San Francisco Health Code to provide for annual adjustments to the one-time application fee to operate medical cannabis dispensaries, and (b) Section 249.17 of the San Francisco Business and Tax Regulations Code to provide for annual adjustments to the annual license fee to continue to operate medical cannabis dispensaries. Such adjustments to these fees would be based on changes to the Consumer Price Index (CPI).

Description: On October 6, 2005, the Budget and Finance Committee severed the proposed fee legislation from File 05-1250, which pertained to the overall regulation and fee structure for medical cannabis dispensaries in San Francisco. This previous ordinance established a one-time application fee of \$6,110 and an annual license fee of \$3,100 for operation of medical cannabis dispensaries. The proposed ordinance would provide that both the initial one-time application fee and the

Memo to Budget and Finance Committee
October 20, 2005 Budget and Finance Committee Meeting

annual license fee to operate medical cannabis dispensaries be adjusted annually to reflect the relevant Consumer Price Index (CPI), as determined by the Controller.

In accordance with the proposed ordinance, by April 15th, beginning with FY 2006-2007, the Department of Public Health would be required to submit to the Controller the necessary one-time application fee cost data needed to set the fee level to recover costs. Similarly, by April 15th, beginning with FY 2006-2007, the Tax Collector would be required to submit to the Controller the necessary annual license fee cost data needed to set the fee level to recover costs (see Comment). The Controller would then be required to apply the relevant CPI adjustment to these two fees to establish the one-time application fee and annual license fee levels for the ensuring year, without further approval by the Board of Supervisors.

By May 15th of each year, the Controller would also be required to file a report with the Board of Supervisors on the one-time application fee and the annual license fee. This report would certify that (a) the application and license fees produce sufficient revenues to support the costs of providing the services for which these fees are being charged and (b) the application and license fees do not produce revenue that exceed the cost of providing the services for which the application and license fees are being charged. This provision of the proposed ordinance would not preclude the Board of Supervisors from modifying the application fee and/or the annual license fee by ordinance at any time.

Comment:

As stated above, the proposed ordinance provides that the Tax Collector provide the necessary cost data to the Controller's Office for determining the fee level for the annual license fee, since it is the Tax Collector who will be collecting the annual license fee. However, DPH will be primarily responsible for enforcing the medical cannabis dispensaries regulations, such that most of the ongoing costs will be borne by the DPH. The annual license fee is intended to fully cover such DPH costs. Therefore, the proposed ordinance should

Memo to Budget and Finance Committee

October 20, 2005 Budget and Finance Committee Meeting

be amended to require the DPH, in collaboration with the Tax Collector, to provide the necessary annual cost data to the Controller's Office for determining the fee level for the annual license fee.

Recommendations: 1. Amend the proposed ordinance to require that the Department of Public Health, in collaboration with the Tax Collector's Office, provide the necessary cost data to the Controller, for determining the annual license fee to operate medical cannabis dispensaries.

2. Approve the proposed ordinance, as amended.

Item 2 - File 05-1460

Departments: Department of Public Works (DPW), Bureau of Street Use and Mapping

Item: Ordinance amending the Subdivision Code Section 1315 to increase existing fees for air space maps, lot subdivisions, condominium conversions, parcel maps, lot merger and resubdivision maps, amended maps, lot line adjustments, lot mergers, certificates of compliance, certificates of correction, records of survey, and other mapping actions and to provide for an annual adjustment of such fees by the Controller based on the relevant consumer price index; and making environmental findings.

Background: The Department of Public Works' (DPW) Bureau of Street Use and Mapping (BSM) maintains and revises the official maps for the City and County of San Francisco and oversees the subdivision of land in the City. Requests for all subdivisions of land, condominium conversions and new condominiums, lot line adjustments, records of surveys and other mapping functions are processed by the DPW BSM through to the final recordation action in the Assessor-Recorder's Office. The BSM is funded through fee revenues charged by DPW to applicants for lot subdivisions, condominium conversions and other types of map applications.

Section 1315 of the San Francisco Subdivision Code provides that the subject fees are to recover DPW's actual costs. If the fees are insufficient to compensate the Department for the actual costs incurred, the fees are to be increased in order to fully recover costs, as is being proposed under this ordinance.

Description: In order to fully recover DPW BSM costs, the proposed ordinance would increase the following DPW BSM Subdivision Code existing fees as shown in Attachment I, provided by Mr. Brent Lewis of DPW. Page 1 of Attachment I includes a description of each fee. Page 2 of Attachment I describes when the fee was last revised, the existing fees, the proposed fees, the amount and

percentage of each fee increase, the total annual fee revenues collected in FY 2004-2005 from each fee at current fee levels, and the total estimated annual fee revenues to be realized from each fee if the proposed fee increases are approved. Mr. Lewis reports that DPW BSM expended a total of \$1,766,881 on subdivision map activities during FY 2004-2005 for the activities related to the 11 existing fees shown on page 2 of Attachment I, and recovered \$1,467,116, or 83 percent of the actual costs of \$1,766,881. According to Mr. Lewis, the projected deficit of \$299,765 was funded from surplus revenues accumulated in prior years in the Subdivision special Fund (see Comment No. 6). According to Mr. Lewis, the current Fund Balance of the Subdivision Fund is approximately \$128,000 and would be depleted by the end of FY 2005-2006 without the proposed fee increases.

Under the proposed ordinance, beginning with FY 2006-2007, all of the fees listed in Attachment I would be adjusted annually, without further action by the Board of Supervisors, to reflect changes in the relevant Consumer Price Index, as determined by the Controller.

The proposed legislation also authorizes DPW BSM to recover costs for "other unspecified actions or determinations related to the California Map Act and/or the SF Subdivision Code that occur infrequently and are very unique," according to Mr. John Malamut from the City Attorney's Office. Mr. Malamut states that specific fees are not set for such actions but rather the proposed ordinance would authorize DPW BSM to charge applicants the actual costs incurred by DPW BSM based on time and materials. Mr. Malamut states that "it is difficult to predetermine the fee amount for such actions because of the infrequency of such requests, which include code interpretations, questions pertaining to condo conversions, or requests for exceptions to the Subdivision Code." Ms. Barbara Moy of DPW states that because the time spent on such actions cannot be tied to a specific application fee, DPW BSM "wishes to be able to recover costs to the City for advice that we provide to potential applicants. Requests for such actions occur only once or

Memo to the Budget and Finance Committee
October 20, 2005 Budget and Finance Committee Meeting

twice a year, but we want to be able to recover these costs."

Attachment II, provided by Ms. Moy, provides additional justification for increasing the 11 fees listed in Attachment I, which have not been increased since 1993. Additionally, Ms Moy states that fees are being increased "in order to more accurately represent DPW's substantially increased labor costs to process and record map applications and to reflect the increased volume of map applications that have been submitted to BSM over the last ten years."

The proposed ordinance also states that the Planning Department has determined that the actions contemplated in the proposed ordinance are in compliance with the California Environmental Quality Act, and such determination is on file with the Clerk of the Board of Supervisors.

Comments:

1. According to Mr. Malamut, if the proposed fee increases are approved, based upon the required 30-day wait period, the approximate date that the fee increases would take effect would be November 30, 2005.

2. As shown in Attachment I, the existing fees range from \$100 for a Record of Survey to \$4,665 for a New Construction Parcel Map. Under the proposed fees, the Record of Survey fee would increase from \$100 to \$507, an increase of \$407 or 407 percent, and the Parcel Map fee would increase from \$4,665 to \$7,770, an increase of \$3,105 or 66.6 percent. The largest proposed fee increase is for an Air Space Parcel Map action, which would be increased from \$800 to \$8,598 an increase of \$7,798 or 974.4 percent. According to Mr. Lewis, Air Space Parcel Map actions require DPW BSM to "allow for the division of the three-dimensional air space within the vertical boundaries of a parcel that is not a portion of a structure or improvement." Mr. Lewis states that an Air Space Parcel Map action was previously categorized as a subdivision final map which did not reflect the complexity of the Air Space Parcel Map action. Mr. Lewis states that

this is the most time consuming map category processed by DPW BSM.

3. As shown in Attachment I, if the proposed ordinance is approved, BSM would realize \$3,539,670 in annual revenues for the 11 proposed fee increases which is \$2,072,554 or 141 percent, more than the \$1,467,116 in fee revenues realized in FY 2004-2005 (see Comment No. 5).

4. Attachment III, provided by Ms. Moy, states that the proposed fee increases would allow DPW BSM to fully hire up to the budgeted staff level of 14.5 FTEs to process the maps. As explained in Attachment III, DPW BSM receives over 500 map requests per year and is able to record approximately 320 maps under the current process. Ms. Moy reports that 1,200 map requests are in process and, of these, 725 are considered to be in backlog. The DPW BSM is currently seeking assistance from the Controller's Office to address these backlog issues.

5. As stated above, in FY 2004-2005, DPW BSM expended a total of \$1,766,881 on subdivision map activities pertaining to the 11 map activities shown on page 2 of Attachment I. As shown in Attachment IV, provided by Mr. Lewis, DPW BSM estimates that its current annual costs to process these 11 fees is \$3,539,670 which would be fully recovered if the proposed fee increases are approved.

6. Subdivision Code fee revenues are deposited into a special Subdivision Fund. All fee revenues which accrue to the special Subdivision Fund would continue to be expended for engineering or technical investigations and equipment directly related to the checking and processing of the maps, plans, and reports filed under the Subdivision Code. According to Mr. Lewis, and as specified in the Subdivision Code, revenues that accrue to the Subdivision Fund are automatically appropriated to the DPW BSM to be expended for such specific purpose.

Recommendation:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

BOARD OF SUPERVISORS
BUDGET ANALYST

Descriptions of Map Actions

Air Space: Parcel Map (four or fewer parcels), Final Map (five or more parcels) and description to allow for the division of the three-dimensional air space within the vertical boundaries of a parcel that is not a portion of a structure or improvement.

Amended Map: Previously recorded final and parcel maps may be amended for the following purposes: a) to correct an error in measurement; b) to show omitted information; c) to correct and error in description; d) to show new monuments; e) to correct information if there is no burden upon the present fee owners; f) to correct errors not involving property rights. Map recorded for amending a previously recorded map. Review application for completeness. Review property title information and survey data.

Certificate of Compliance: details the corrections to a map that has been previously recorded to demonstrate compliance to the provisions of the Map Act. Review application for completeness. Review property title information and survey data for issuance of Certificate of Correction. Review subsequent submittals and prepare Certificate of Correction for recordation.

Certificate of Correction: details the corrections to a map that has been previously recorded to demonstrate compliance to the provisions of the Map Act. Review application for completeness. Review property title information and survey data for issuance of Certificate of Correction. Review subsequent submittals and prepare Certificate of Correction for recordation.

Condominium Conversion: Parcel map for condominium purposes. Review of application for completeness; refer to appropriate agencies for approval. Review agency approvals and conditions. Plan check condominium units, analyze property boundary and process for tentative approval. Review subsequent submittals and process parcel map for recordation.

Lot Subdivision (Final Map): Final map creating five or more parcels. Review agency approvals and conditions. Plan check parcels, analyze property boundary and process for tentative approval. Notify neighborhood of tentative approval with 300' radius mailings. Review subsequent submittals and process final map for recordation.

Lot Line Adjustment: Boundary line adjustment of four or fewer parcels. Review application for completeness and refer to CPC and DBI for approvals. Review agency approvals, property title information and survey data.

Lot Merger: merges a greater number of lots or parcels into a lesser number of lots or parcels with a new legal description.

Lot Merger Resubdivision: Map that merges separate parcels or lots into one contiguous parcel and the resubdivision of that parcel with new parcel boundaries.

Parcel Map (New Construction): Parcel map (four or fewer parcels). Review agency approvals and conditions. Analyze property boundary and process for tentative approval. Notify neighborhood of tentative approval with 300' radius mailings. Review subsequent submittals and process map for recordation.

Record of Survey: a map showing surveyors interpretation of material discrepancies or establishment of points or lines not appearing on a currently recorded map. Review application for completeness and process initial map. Review boundary and survey data. Review subsequent submittals and process for recordation.

	Last Revised	Existing Fee	Proposed Fee	Increase	% Increase	FY 04-05 Revenues	Estimated Revenues
Air Space	1993	\$800	\$8,598	\$7,795	974.4%	\$4,000	\$42,990
Amended Map	1993	\$1,800	\$2,704	\$904	50.2%	\$0	\$2,704
Certificate of Compliance	1993	\$525	\$2,139	\$1,614	307.4%	\$7,875	\$32,085
Certificate of Correction	1993	\$450	\$2,139	\$1,689	375.3%	\$1,350	\$6,417
Condo Conversion	1993	\$4,625	\$8,336	\$3,711	80.2%	\$1,131,580	\$2,092,336
Lot Line Adjustment	1993	\$675	\$2,704	\$2,029	300.6%	\$23,625	\$94,640
Lot Merger	1993	\$1,600	\$2,581	\$981	61.3%	\$16,000	\$25,810
Lot Merger Resubdivision	1993	\$1,600	\$6,943	\$5,343	333.9%	\$11,200	\$48,601
Lot Subdivision (Final Map)	1993	\$4,600	\$8,437	\$3,837	83.4%	\$49,410	\$303,732
New Construction (Parcel Map)	1993	\$4,665	\$7,770	\$3,105	66.6%	\$216,576	\$862,470
Record of Survey	1993	\$100	\$507	\$407	407%	\$5,500	\$27,885
Total Revenues						\$1,467,116	\$3,539,670



Gavin Newsom, Mayor
Edwin M. Lee, Director



(415) 554-5810
FAX (415) 554-5843
<http://www.sfdpw.org>

Department of Public Works
Bureau of Street-Use and Mapping
875 Stevenson Street, Room 460
San Francisco, CA 94103-0942

Barbara L. Moy, Bureau Manager

MEMORANDUM

TO: Harvey Rose, Budget Analyst

FROM: Barbara Moy, Bureau Manager

DATE: October 5, 2005

SUBJECT: Subdivision Fee Proposal

DPW is proposing to increase 11 Subdivision Fund mapping fees to more accurately represent the Department's substantially increased labor costs to process and record map applications and to reflect the increased volume of map applications that have been submitted to BSM over the last ten years. Under section 1315 of the San Francisco Subdivision Code, the Department is to charge its estimated actual costs to file a Tentative Map or a Parcel Map. The current fee structure has been in effect since 1993, and labor costs have increased substantially since that time. The Department receives approximately over 500 map requests each fiscal year, an increase of over 100 in just two years. The Department has not sought a change in fees until this time for two reasons: first, there has been a surplus fund balance, and; second, the legislature recently revised the Map Act which required us to change the manner in which fees can be applied. The request to increase map fees will not address any current orders on backlog, but will prevent future backlogs from increasing.

In practice, DPW developed a fee schedule for various map actions, and has charged applicants accordingly. It should be noted that this has been problematic as maps/applications are resubmitted an average of two times beyond the initial submittal as part of the typical review process. There may be missing data or inconsistencies within plans, or conditions that are cause for additional submittals. This is one reason that current fees are insufficient to cover the cost of providing mapping services. Staff time and City Attorney time has also been utilized with greater frequency to comply with legislative enactments concerning condominium conversions. In addition, increased health and retirement benefits and annual COLAs have impacted department and bureau overhead costs, including COWCAP (COWCAP was not recovered as an expense in FY2002-03), causing expenditures to exceed total fee revenue annually.

Therefore, it is important that the Department fully recover its costs incurred on map applications submitting a fee schedule that is commensurate with other Bay Area County fee structures and reflects the increase in frequency of Condominium Conversions and large subdivision development in San Francisco.

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Customer Service

Teamwork

Continuous Improvement



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Edwin M. Lee, Director



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<http://www.sfdpw.org>

Department of Public Works
Bureau of Street-Use and Mapping
875 Stevenson Street, Room 460
San Francisco, CA 94103-0942

Barbara L. Moy, Bureau Manager

MEMORANDUM

TO: Harvey Rose, Budget Analyst

FROM: Barbara Moy, Bureau Manager

DATE: October 5, 2005

SUBJECT: Subdivision Fee Proposal

In FY 2005-06, BSM has budgeted 14.5 FTE in its mapping division to process map applications covered in the fee proposal. Currently BSM has 11.5 actual FTEs dedicated to processing map applications, and without this fee increase will not be able to hire up to the budgeted staff level to process the maps. BSM reports that over 1,100 map requests are pending review. In addition, the division receives over 500 map requests per year and is able to record approximately 320 maps under the current process. The Controller's Office City Projects group has committed to working with the Mapping Division to develop and implement a strategy to better define and address the backlog through process improvements and outside assistance. The Controller's Office will be reporting its recommendations on the backlog issue to the Board of Supervisors in November.

Total Expenditure and Fee Revenue Summary Per Application

Title	# of Apps	Hours per App	Cost per App	Cost per App X # Apps	Allocation per App	Allocation X # Apps	Total Expenditure	Total Cost + Allocation per App	Total Fee per App	Total Fee Revenue
Air Space	5	75	7,227	36,135	1,371	6,855	42,990	8,598	8,598	42,990
Amended Map	1	14	1,333	1,333	1,371	1,371	2,704	2,704	2,704	2,704
Certificate of Compliance	15	8	768	11,520	1,371	20,565	32,085	2,139	2,139	32,085
Certificate of Corrections	3	8	768	2,304	1,371	4,113	6,417	2,139	2,139	6,417
Condominium Conversion	251	72.5	6,965	1,748,215	1,371	344,121	2,092,336	8,336	8,336	2,092,336
Lot Subdivision (Final Map)	36	73.5	7,066	254,376	1,371	49,356	303,732	8,437	8,437	303,732
Lot Line Adjustment	35	14	1,333	46,655	1,371	47,985	94,640	2,704	2,704	94,640
Lot Merger	10	12.5	1,210	12,100	1,371	13,710	25,810	2,581	2,581	25,810
Lot Merger Resubdivision	7	58	5,572	39,004	1,371	9,597	48,601	6,943	6,943	48,601
Parcel Map (New Construction)	111	66.5	6,399	710,289	1,371	152,181	862,470	7,770	7,770	862,470
Record of Survey	55*	5	507	27,885	-	-	27,885	507	507	27,885
Total Labor Cost	474	407	\$ 39,148	\$ 2,889,816	\$ 13,710	\$ 649,854	\$ 3,539,670	\$ 52,858	\$ 52,858	\$ 3,539,670

* Not included in total # of Applications due to fax fee

Item 3 - File 05-1461

Departments: Department of Public Works (DPW)
Assessor-Recorder
Treasurer

Item: Ordinance amending the San Francisco Administrative Code (a) by adding Section 8.24-6, to authorize the imposition of a new \$10 grant deed recordation user fee, as authorized by the State Government Code, and (b) by adding Section 10.100-50, to create the County Surveyor's Survey Monument Preservation Fund for the deposit by the Treasurer and collection by the Assessor-Recorder of a new \$10 grant deed recordation user fee. The revenues to be realized from this new fee would be expended by the County Surveyor for the retracement or remonument survey of major historical vertical or horizontal land division lines. The proposed ordinance would also amend the Subdivision Code by adding Section 1340.1, to authorize the County Surveyor to expend the proceeds collected from imposition of the fee to pay for the retracement or remonument survey of major historical vertical or horizontal land division lines; and making environmental findings.

Background: The County Surveyor, under the Department of Public Works (DPW), is responsible for the status and maintenance of 3,500 monuments within the City. According to Mr. Brent Lewis of DPW, a monument is a land survey reference point used to determine a horizontal or vertical location within the City. Practicing licensed land surveyors routinely communicate to the Surveyor's Office pertaining to the condition of these monuments. Presently, according to Mr. Lewis, staff in the Surveyor's Office are unable to verify that established monument points located throughout the City are accurate because some of these monuments have been lost or relocated. According to Mr. Lewis, physical changes in landmass due to the effect of erosion, seismic activity or land development are factors that continue to hamper the accuracy of all City monuments.

These monuments are essential to the precise location of all land divisions (parcels) within the City and County of

San Francisco. Land subdivision and parcel descriptions are in deeds that accompany land sales, land transfers, and land exchanges and are essential to land ownership. According to Ms. Barbara Moy of DPW, the framework for actual physical reference points has been previously established and must be preserved to secure property rights and ownership. According to Ms. Moy, by approving the proposed new \$10 fee under this ordinance, sufficient revenues would be allocated to the County Surveyor to maintain the City's current survey monuments and allow for the replacement of "lost" monuments. Ms. Moy reports that the proposed new \$10 fee will allow the County Surveyor to hire 1 FTE 5216 Chief Surveyor and to supplement the cost of the work-order staff currently employed by the County Surveyor's Office.

Description:

As authorized by California State Government Code Sections 27584 and 27585, the proposed ordinance would authorize the Assessor-Recorder to collect the proposed new \$10 fee at the time of recording each grant deed subject to a Documentary Transfer Tax for the conveyance of real property. The proposed ordinance would also establish the Survey Monument Preservation Fund, to which all proceeds of the proposed new \$10 fee revenues would be deposited.

The monies deposited to the Survey Monument Preservation Fund would be appropriated exclusively to pay the necessary expenditures that the County Surveyor incurs for re-establishing major historical vertical or horizontal land division lines upon which subsequent surveys are based.

According to Mr. John Malamut of the City Attorney's Office, since the expenditures from the Survey Monument Preservation Fund are to be appropriated exclusively for the uses described above, such expenditures are not subject to appropriation approval by the Board of Supervisors.

According to the proposed ordinance, the Director of DPW would be required to submit an annual written report to the Mayor, the Controller and the Board of Supervisors identifying the total revenues realized and the

Memo to the Budget and Finance Committee

October 20, 2005 Budget and Finance Committee Meeting

expenditures made from such revenues, resulting from use of the proceeds from the proposed new \$10 fee from the preceding year together with a description of the specific land surveys that were prepared.

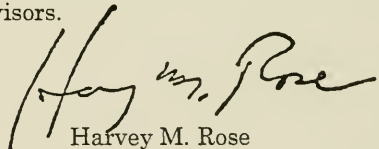
The proposed ordinance also states that the Planning Department has determined that the actions contemplated in the proposed ordinance are in compliance with the California Environmental Quality Act, and such determination is on file with the Clerk of the Board of Supervisors.

Comment:

Mr. Lewis states that based on the past five years, DPW anticipates processing a minimum of 18,000 grant deeds annually. Based on an estimated annual 18,000 grant deeds, the payment of the proposed new \$10 fee per grant deed would result in the City realizing an estimated \$180,000 annually. Total annual costs are estimated to be \$180,000, based on a cost of \$150,000 annually for 0.79 FTEs and an additional \$30,000 for Geographic Information System (GIS) consulting services, as detailed in the Attachment, provided by Mr. Lewis. Mr. Lewis notes that fluctuations in the real estate market can also impact the annual revenue to be realized by the City from the proposed new \$10 fee.

Recommendation:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Ammiano
Supervisor Mirkarimi
Supervisor Elsbernd
President Peskin
Supervisor Alioto-Pier
Supervisor Daly
Supervisor Dufty
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Sandoval

Clerk of the Board
Controller
Noelle Simmons
Ted Lakey
Cheryl Adams

FY 2005-06 Proposed

Labor Costs

Job Title	FTE	Class	Total Hours	Salary	MFB&PTO	Overhead	Total Cost per hour	Total Cost
Survey Associate - Vacant	0.74	5314	1590	35.85	19.88	34.06	89.79	137,398
Licensed Surveyor - Vacant	0.05	5216	110	45.54	25.26	43.27	114.06	12,602
Total Labor Cost	0.79		1641					\$ 150,000

Additional Costs

Items	Total Cost
GIS Consulting Services	30,000
Subtotal	30,000

Total Costs	\$ 180,000.00
Total Fee/Grant Deed	\$ 10.00
Total Minimum Estimated Grant Deeds/FY Based Upon Last 5 Years	18,000
Total Estimated Annual Revenue	\$ 180,000

30234



